uMLALAZI MUNICIPALITY

UNAUDITED ANNUAL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2014

uMLALAZI MUNICIPALITY

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Annual Financial Statements

for

uMlalazi Municipality

for the year ended 30 June 2014

Province:	**KwaZulu-Natal**
AFS rounding:	**To the nearest Rand**

Contact Information:

Name of Municipal Manager:	**Simon Mashabane**
Name of Chief Financial Officer:	**Zakhele Mhlongo**
Contact telephone number:	035 - 473 3338
Contact e-mail address:	cfo@umlalazi.org.za
Name of contact at Provincial Treasury:	**Sifiso Vezi**
Contact telephone number:	033 - 897 4532
Contact e-mail address:	sifiso.vezi@kzntreasury.gov.za
Name of relevant Auditor:	**Jabulani Nkosi**
Contact telephone number:	033 - 264 7400
Contact e-mail address:	jabulanink@agsa.co.za
Name of contact at National Treasury:	**Linda Kruger**
Contact telephone number:	012 - 315 5295
Contact e-mail address:	linda.kruger@treasury.gov.za

General information

Members of the Council

Councillor T B Zulu	Mayor and chairperson of the Executive Committee
Councillor Prof N M Khubisa	Deputy Mayor and member of the Executive Committee (01 July 2013 - 19 May 2014)
Councillor M M M Ntuli	Chief Whip
Councillor E N Mtshali	Speaker
Councillor C M Gamede	Member of the Executive Committee
Alderman S B Larkan	Member of the Executive Committee
Councillor M Mbuyazi	Member of the Executive Committee
Councillor C T Ndwalane	Member of the Executive Committee
Councillor B R L Ngema	Member of the Executive Committee
Councillor J K Powell	Member of the Executive Committee
Councillor I Woolatt	Member of the Executive Committee
Councillor Q T Xulu	Member of the Executive Committee

Councillor M B Biyela	Member	Councillor N S Mzimela	Member
Councillor N L Biyela	Member	Councillor S Naicker	Member
Councillor B S Cebekhulu	Member	Councillor I F Ndwandwe	Member
Councillor M M Cebekhulu	Member	Councillor S G Ngema	Member
Councillor M E Dlamini	Member	Councillor N L Ngidi	Member
Councillor P G Dlolane	Member	Councillor D T Ngonyama	Member
Councillor M Dludla	Member	Councillor M Z Nkwanyana	Member
Councillor T A Hlatshwayo	Member	Councillor T E Ntsele	Member
Councillor E Z Jaffe	Member	Councillor M G Ntuli	Member
Councillor M M Khanyile	Member	Councillor M H Qwabe	Member
Councillor K Khumalo	Member	Councillor S Schoeman	Member
Councillor B C Magwaza	Member	Councillor T G Shandu	Member
Councillor K B Magwaza	Member	Councillor B P Simelane	Member
Councillor S G Mbambo	Member	Councillor S S Sithole	Member
Councillor S K Mbatha	Member	Councillor E A Talmage	Member
Councillor M F Mdluli	Member	Councillor B L Thusi	Member
Councillor Z A Mhlongo	Member	Councillor V M Xulu	Member
Councillor N M Mnqayi	Member	Councillor M G Zondi	Member
Councillor F M Mtengu	Member	Councillor N S Zulu	Member
Councillor M M Mzimela	Member	Councillor E M Zwane	Member

General information (continued)

Municipal Manager

Simon Mashabane

Chief Financial Officer

Zakhele Mhlongo

Grading of Local Authority

3

Auditors

Auditor - General

Bankers

First National Bank, Eshowe

Registered Office:	Municipal Buildings, Eshowe
Physical address:	Hutchinson Street Eshowe
Postal address:	P O Box 37 Eshowe 3815
Telephone number:	035 - 473 3474
Fax number:	034 - 474 4733
E - mail address:	mm@umlalazi.org.za

Certification by the Accounting Officer

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 83 in terms of section 126 (1) of the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Co-operative Governance and Traditional Affairs' determination in accordance with this Act.

Municipal Manager:

DATE: 31/08/2014

uMLALAZI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	2014	(Restated) 2013
		R	R
ASSETS			
Current assets			
Inventory	2	3 686 066	3 314 328
Receivables from exchange transactions	3	21 567 875	19 414 298
Receivables from non-exchange transactions	4	10 989 904	7 201 102
Current portion of loans receivable	5	18 679	25 746
VAT receivable	3	450 780	484 890
Cash and cash equivalents	6	71 508 272	60 488 499
		108 221 576	90 928 863
Non-current assets			
Property, plant and equipment	7	502 027 640	495 137 837
Intangible assets	8	271 164	294 399
Investment property carried at fair value	9	11 154 802	10 315 502
Investments	10	1 000	1 000
Deposits with creditors	5	671 164	658 123
Loans receivable	5	725 999	765 222
		514 851 769	507 172 082
Total assets		**623 073 346**	**598 100 946**
LIABILITIES			
Current liabilities			
Consumer deposits	11	1 266 076	1 155 017
Payables from exchange transactions	12	19 592 143	24 301 838
VAT payable	12	738 738	879 519
Unspent conditional grants and receipts	13	21 983 815	16 200 069
Loans payable	14	342 816	342 816
Employee benefits	15	793 000	841 643
Provisions	16	424 214	6 558 208
		45 140 803	50 279 110
Non-current liabilities			
Loans payable	14	4 799 419	5 142 235
Employee benefit obligations	17	15 320 000	12 834 056
		20 119 419	17 976 291
Total liabilities		**65 260 222**	**68 255 401**
Net assets		**557 813 124**	**529 845 545**
NET ASSETS			
Housing operating account	18	10 804 576	12 133 178
Revaluation reserve	19	260 000 390	272 212 518
Accumulated surplus	20	287 008 158	245 499 849
Total net assets		**557 813 124**	**529 845 545**

uMLALAZI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2014

		Notes	Actual 2014 R	Actual 2013 R
REVENUE				
Revenue from Non-exchange Transactions			**147 623 725**	**124 397 865**
Taxation revenue			33 831 258	30 865 112
Property rates		**21**	33 227 107	30 174 405
Property rates - penalties imposed			604 151	690 706
Transfer revenue			98 519 556	90 698 176
Government grants and subsidies - operational		**22**	98 519 556	90 698 176
Other			15 272 911	2 834 577
Fines			15 272 911	2 834 577
Revenue from Exchange Transactions			**72 048 733**	**67 054 668**
Service charges		**23**	61 145 810	57 499 708
Rental of facilities and equipment		**24**	1 323 105	1 707 118
Interest earned- external investments		**25**	3 074 293	2 491 098
Licences and permits		**26**	3 309 366	3 389 497
Other income		**27**	2 942 609	1 845 370
Gain/ (loss) on sale of assets		**28**	253 550	121 876
Total revenue			**219 672 458**	**191 452 533**
EXPENDITURE				
Employee related costs	13	**29**	59 569 958	54 200 554
Remuneration of councillors	14	**30**	13 688 172	12 732 586
Allowance for doubtful debts	15	**3 & 4**	12 863 523	1 388 605
Depreciation and impairment loss	17	**31**	13 308 199	8 055 809
Repairs and maintenance	18	**32**	15 035 026	10 539 721
Finance costs	19	**33**	660 474	708 921
Bulk purchases	20	**34**	38 635 787	35 991 959
Contracted services	21	**35**	21 767 083	19 453 600
Contributions for post retirement medical benefits and long service awards	22	**36**	3 250 700	1 597 584
General expenses	23	**37**	41 565 974	44 952 264
Contributions to staff leave	25	**38**	1 367 423	1 381 949
Total expenditure			**221 712 320**	**191 003 551**
Profit/ (loss) on fair value adjustment		**39**	3 823 423	914 600
SURPLUS/ (DEFICIT) FOR THE YEAR			**1 783 560**	**1 363 582**
Transfers recognised - capital			32 526 124	35 092 873
SURPLUS/ (DEFICIT) FOR THE YEAR AFTER CAPITAL TRANSFERS			**34 309 684**	**36 456 455**

uMLALAZI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2014

	(Note 18)	(Note 19) (Restated)	(Note 20)	
	Housing operating account	**Revaluation reserve**	**Accumulated surplus**	**Total**
	R	**R**	**R**	**R**
Balance at 30 June 2012	11 651 115	258 459 774	198 590 515	468 701 405
Surplus (deficit) for the year	78 620		36 377 834	36 456 454
Transfer to Capital Replacement Reserve			10 531 499	10 531 499
Transfer from Housing Operating Account	-4 925			-4 925
Public contributions	97 380			97 380
Interest received	310 988			310 988
Offsetting of depreciation		-10 025 888		-10 025 888
Newly identified municipal assets		33 721 518		33 721 518
Correction of municipal assets depreciation		-9 942 886		-9 942 886
Balance at 30 June 2013	**12 133 178**	**272 212 518**	**245 499 849**	**529 845 545**

	(Note 18)	(Note 19)	(Note 20)	
Balance at 30 June 2013	12 133 178	272 212 518	245 499 849	529 845 545
Surplus (deficit) for the year	22 437		34 287 247	34 309 684
Ajustments prior year			-795 339	-795 339
Transfer to Capital Replacement Reserve			8 016 401	8 016 401
Funding of capital projects			-	-
Transfer from Housing Operating Account	-1 837 618			-1 837 618
Public contributions	56 148			56 148
Interest received	430 432			430 432
Offsetting of depreciation		-12 212 128		-12 212 128
Balance at 30 June 2014	**10 804 576**	**260 000 390**	**287 008 158**	**557 813 124**

uMLALAZI MUNICIPALITY

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 R	2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts:			
Receipts from consumers and other		121 366 224	121 806 293
Government - Operating		98 519 556	90 698 176
Government - Capital		32 526 124	35 092 873
Payments:			
Suppliers		-132 120 148	-122 045 323
Employee costs		-73 258 130	-66 933 140
Transfers and grants		-2 958 987	-2 811 927
Cash generated from operations	**40**	44 074 639	55 806 952
Interest income		3 074 293	2 491 098
Finance costs		-660 474	-708 921
Net cash flow from operating activities		**46 488 457**	**57 589 129**
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts:			
Proceeds on disposal of Property, Plant and Equipment		253 550	439 192
(Increase)/ decrease in loans receivable		46 290	5 056
Payments:			
Purchase of Property, Plant and Equipment		-35 536 768	-34 806 043
Net cash flows from investing activities		**-35 236 928**	**-34 361 795**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts:			
Increase in consumer deposits		111 059	56 251
Payments:			
Repayment of loans payable	**41**	-342 816	-342 816
(Increase)/ decrease in investments		-	-
Net cash flows from financing activities		**-231 756**	**-286 565**
Net increase/ (decrease) in cash and cash equivalents	**42**	11 019 773	22 940 769
Cash and cash equivalents at the beginning of the year		60 488 499	37 547 730
Cash and cash equivalents at the end of the year	**6**	**71 508 272**	**60 488 499**

UMLALAZI MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2014

Statement of Financial Performance	Approved Budget 2014	Adjustments	Final Budget 2014	Actual 2014	Difference: Final Budget and Actual 2014
	R		R	R	R
REVENUE					
Revenue from Non-exchange Transactions	**134 207 170**	**9 102 620**	**143 309 790**	**147 623 725**	**4 313 935**
Taxation revenue	33 844 420	-382 450	33 461 970	33 831 258	315 477
Property rates	33 019 300	-107 670	32 911 630	33 227 107	315 477
Property rates - penalties imposed	825 120	-274 780	550 340	604 151	53 811
Transfer revenue	96 758 480	10 130 600	106 889 080	98 519 556	-8 369 524
Government grants and subsidies - operational	96 758 480	10 130 600	106 889 080	98 519 556	-8 369 524
Other	3 604 270	-645 530	2 958 740	15 272 911	12 314 171
Fines	3 604 270	-645 530	2 958 740	15 272 911	12 314 171
Revenue from Exchange Transactions	**69 000 610**	**1 609 300**	**70 609 910**	**72 048 733**	**1 438 823**
Service charges	60 923 100	68 310	60 991 410	61 145 810	154 400
Rental of facilities and equipment	1 266 650	34 480	1 301 130	1 323 105	21 975
Interest earned- external investments	1 100 000	1 400 000	2 500 000	3 074 293	574 293
Licences and permits	3 551 320	-100 000	3 451 320	3 309 366	-141 954
Other income	1 959 540	206 510	2 166 050	2 942 609	776 559
Gain/ (loss) on sale of assets	200 000	-	200 000	253 550	53 550
Total revenue	**203 207 780**	**10 711 920**	**213 919 700**	**219 672 458**	**5 752 758**
EXPENDITURE					
Employee related costs	63 358 380	-3 216 830	60 141 550	59 569 958	-571 592
Remuneration of councillors	14 695 730	-599 050	14 096 680	13 688 172	-408 508
Allowance for doubtful debts	1 363 550	-	1 363 550	12 863 523	11 499 973
Depreciation and impairment loss	8 546 700	-88 100	8 458 600	13 308 199	4 849 599
Repairs and maintenance	10 987 710	4 126 140	15 113 850	15 035 026	-78 824
Finance costs	698 090	-21 680	676 410	660 474	-15 936
Bulk purchases	38 566 420	-583 220	37 983 200	38 635 787	652 587
Contracted services	20 434 660	1 355 570	21 790 230	21 767 083	-23 147
Contributions for post retirement medical benefits and long service awards	1 176 720	-	1 176 720	3 250 700	2 073 980
General expenses	42 745 220	9 736 200	52 481 420	41 565 974	-10 915 446
Contributions to staff leave	1 385 890	-	1 385 890	1 367 423	-18 467
Total expenditure	**203 959 070**	**10 709 030**	**214 668 100**	**221 712 320**	**7 044 220**
Profit/ (loss) on fair value adjustment	800 000	-	800 000	3 823 423	3 023 423
SURPLUS/ (DEFICIT) FOR THE YEAR	**48 710**	**2 890**	**51 600**	**1 783 560**	**1 731 960**
Transfers recognised - capital	42 476 000	-10 503 450	31 972 550	32 526 124	553 574
SURPLUS/ (DEFICIT) FOR THE YEAR AFTER CAPITAL TRANSFERS	**42 524 710**	**-10 500 560**	**32 024 150**	**34 309 684**	**2 285 534**

NOTE .1 ACCOUNTING POLICIES

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognized Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board ("ASB") in March 2009 and May 2010, respectively, as amended.

1.1.1 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2013 and 30 June 2014 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:

a) is required by a Standard of GRAP; or

b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.1.2 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.1.2.1 Revenue Recognition

Accounting Policy 1.10.2 on *Revenue from Exchange Transactions* and Accounting Policy 1.10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: Revenue from Non-exchange Transactions. In particular when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgment by management.

1.1.2.3 Impairment of Financial Assets

Accounting Policy 1.6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.1.2.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 1.3.3 and 1.4, the municipality depreciates/amortizes its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.1.2.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realizable values.

1.1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19 *Employee Benefits*. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 4 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in note 1.13.

1.1.3 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.1.6 New standards and interpretations

1.1.6.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard / Interpretation: Effective date: Years beginning on or after Expected Impact:

GRAP 25: Employee benefits 01 April 2013. This standard prescribes similar requirements to those in terms of IAS19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no impact on the financial statements.

GRAP 1(as revised 2012): Presentation of Financial Statements 01 April 2013 No material changes effected.

GRAP 3 (As revised 2012): Accounting Policies, Change in Accounting Estimates and Errors 01 April 2013 No material changes effected.

GRAP 7 (as revised 2012): Investments in Associates 01 April 2013 Currently not relevant to the municipality.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions 01 April 2013 No material changes effected.

GRAP 12 (as revised 2012): Inventories 01 April 2013 No material changes effected.

GRAP 13 (as revised 2012): Leases 01 April 2013 No material changes effected.

GRAP 16 (as revised 2012): Investments property 01 April 2013 No material changes effected.

GRAP 17 (as revised 2012): Property, Plant and Equipment 01 April 2013 No material changes effected.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101) 01 April 2013 Currently not relevant to the municipality.

GRAP 31 (as revised 2012): Intangible Assets

(Replaces GRAP 102) 01 April 2013 no material changes effected.

IGRAP 1: Applying the Probability Test on the Initial Recognition of Revenue 01 April 2013 this interpretation indicates the treatment of traffic fines. As a result revenue and Expenditure will increase.

1.1.6.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 105: Transfers of Functions between Entities under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 106: Transfers of Functions between Entities not Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition-date fair values and should be derecognised (by the acquiree) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit).

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 20: Related Party Disclosures

The objective of this Standard of GRAP is to ensure that a municipality’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

For the year under review, Council has applied IPSAS 20.

1.1.6.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

No effective date has been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

1.2 HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.3 PROPERTY, PLANT AND EQUIPMENT

1.3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalized if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalized when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognizes the part of the asset being replaced and capitalizes the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognized assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

1.3.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Details	**Years**
Infrastructure	
Roads	30 – 80
Electricity	20 - 50
Storm Water	40 – 60
Solid Waste Disposal	10 – 30
Community	
Community and Recreation Facilities	20 – 30
Other Assets	20 – 30
Vehicles	5 – 10
Furniture and Fittings	7 – 10

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

1.3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.3.5 Finance Leases

Assets capitalized under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1.3.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

1.3.7 Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognized on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or losses arising from derecognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognized.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

1.3.8 Impairment of Assets

1.3.8.1 Cash - generating Assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognised immediately in surplus or deficit for the year.

1.3.8.2 Impairment of Non-cash Generating Assets

Identification

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset no impairment recognised.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach:

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimized" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimized basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognised immediately in surplus or deficit for the year.

1.4 INTANGIBLE ASSETS

1.4.1 Initial Recognition

Identifiable non–monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognizes an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalized. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The municipality does not recognize electricity servitudes arising from a legal right as intangible assets.

1.4.2 Website Costs

Any internal expenditure on the development and operation of the municipality's own website is accounted for in accordance with the Standard of GRAP on Intangible Assets. The nature of each activity for which expenditure is incurred (eg. Training employees and maintaining the website) and the website's stage of development or post-development are evaluated to determine the appropriate accounting treatment.

The stages of a website's development can be described as follows:

(a) Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.

(b) Application and infrastructure development- includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.

(c) Graphical design development-includes designing the appearance of web pages.

(d) Content development- includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate database that are integrated into (or accessed from) the website or coded directly into the web pages.

1.4.3 Subsequent Measurement, Amortization and Impairment

Subsequently all intangible assets are measured at cost, less accumulated amortization and accumulated impairment losses.

Amortization is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortized, for example servitudes (excluding electricity servitudes) obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortization method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in surplus or deficit for the year.

1.4.4 Derecognition of Intangible Assets

The carrying amount of an intangible asset is derecognized on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible asset is included in surplus or deficit when the asset is derecognized. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated amortization and accumulated impairment losses) and the sales proceeds. This is included in surplus or deficit for the year as a gain or loss on disposal of intangible assets.

1.5 INVESTMENT PROPERTY

1.5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction or at a nominal value its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgment, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- Property that is being constructed or developed for future use as investment property;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

1.5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the year.

The carrying amount of an investment property is derecognized on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an investment property is included in surplus or deficit for the year when the asset is derecognized.

Gains or losses are calculated as the difference between the net book value of assets (fair value) and the sales proceeds.

1.6 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorized as either *Financial Assets* or *Financial Liabilities*.

1.6.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Type of Financial Asset	**Classification in terms of GRAP 104**
Short-term Investment Deposits – Call	Financial assets at amortized cost
Bank Balances and Cash	Financial assets at amortized cost
Long-term Receivables	Financial assets at amortized cost
Consumer Debtors	Financial assets at amortized cost
Other Debtors	Financial assets at amortized cost
Investments in Fixed Deposits	Financial assets at amortized cost

Financial assets at amortized cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorizes cash and cash equivalents as financial assets: loans and receivables.

1.6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term Loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

In accordance with IAS 39.09, the *Financial Liabilities* of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortized cost.

Financial liabilities at amortized cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortized cost using the Effective interest method, with interest expense recognised on an effective yield basis.

1.6.3 Initial and Subsequent Measurement

1.6.3.1 Financial Assets:

Financial assets at amortized cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortized cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial assets are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

1.6.3.2 Financial Liabilities:

Financial Liabilities at amortized cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

1.6.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortized cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made whereby the recoverability of Consumer Debtors is assessed individually or collectively after grouping the assets in financial assets with similar credit risk characteristics if individual assessment was not possible.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in surplus or deficit for the year with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit for the year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit for the year to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

1.6.5 Derecognition of Financial Assets

The municipality derecognizes Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

1.6.6 Derecognition of Financial Liabilities

The municipality derecognizes Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.7 RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

1.7.1 Credit Risk

- Each class of financial assets is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial assets covered by collateral are specified.

1.7.2 Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.

1.7.3 Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

- Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.
- Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

1.7.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1.8 INVENTORIES

Inventories comprising consumable stores, raw materials and finishing goods are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, and then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realizable value, determined on the weighted average cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge

Unsold properties represent unsold units in economic selling schemes where the net realizable value of each unit is either nil or a nominal amount. As a consequence of the passage of time the municipality is not in a position to determine the cost of such inventory. Furthermore, the use of current replacement cost would not only distort the statement of financial position by inflating the value of inventories but would also result in a credit to the housing operating account contrary to section 14 of the Housing Act, 1998. Accordingly unsold properties are stated in the annual financial statements at net realizable value.

Redundant and slow-moving inventories are identified and written down from cost to net realizable value with regard to their estimated economic or realizable values.

1.9 NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

1.9.1 Non-current assets held for sale

1.9.1.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.9.1.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortized) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9.2 Discontinued operations

A discontinued operation is a component of the municipality that either has been disposed of or is classified as held for sale and:

(a) represents a distinguishable activity, group of activities or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or

(c) is a controlled entity acquired exclusively with a view to resale.

Discontinued operations are presented separately from continuing operations in the annual financial statements.

1.10 REVENUE RECOGNITION

1.10.1 General

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.10.2 Revenue from Exchange Transactions

1.10.2.1 Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

1.10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

1.10.2.3 Finance income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportionate basis that takes into account the effective yield on the investment.

1.10.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorized tariff. This includes the issuing of licenses and permits.

1.10.2.5 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

1.10.3 Revenue from Non-exchange Transactions

1.10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

1.10.3.2 Fines

Revenue from the issuing of fines is recognized when:

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waiver the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognized when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

1.10.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

1.10.3.4 Revenue from Recovery of Unauthorized, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain. Such revenue is based on legislated procedures.

1.11 GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as Accounts Receivable in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is the municipality's interest it is recognised as interest earned in surplus of deficit for the year.

1.12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.13 EMPLOYEE BENEFITS

1.13.1 Short-term Employee Benefits

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. The municipality recognizes the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

1.13.2 Past service costs

Past service costs are recognised immediately in surplus or deficit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

1.13.3 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

1.13.4 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to surplus or deficit for the year in which they arise.

1.13.4.1 Pension obligations

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes."

1.13.4.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

1.13.4.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

Actuarial gains or losses are accounted for in full and are recognised in surplus or deficit for the year.

1.14 LEASES

1.14.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, plant, equipment or Intangible Assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.14.2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.15 BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are recognised as an expense in surplus or deficit for the year.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

1.16 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

1.17 CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.18 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.19 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.21 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.22 RELATED PARTIES

Individuals, including councilors, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.24 COMPARATIVE INFORMATION

1.24.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.25 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.26 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.27 RESERVES

1.27.1 Capital Replacement Reserve (CRR)

In order to finance capital assets from internal sources, amounts are transferred out of the accumulated surplus into the Capital Replacement Reserve (CRR) in terms of the funding and reserves policy adopted by the Municipality. The cash in the CRR can only be used to finance capital expenditure appropriated in an approved budget. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

NOTE 2 - 53: OTHER NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2014	2013
		R	R
2. INVENTORY			
Stores inventory:			
Balance at the beginning of the year		**2 325 329**	**1 945 362**
Consumable stores		358 460	286 697
Stationery stores		375 636	347 225
Electrical maintenance spares		1 588 738	1 311 168
E Card replacement		2 496	272
Additions:		**4 148 890**	**4 020 275**
Consumable stores		2 371 332	1 911 914
Stationery stores		547 270	444 772
Electrical maintenance spares		1 230 288	1 658 790
E Card replacement			4 800
Issued (expenses):		**3 777 152**	**3 640 308**
Consumable stores		2 074 799	1 840 151
Stationery stores		420 603	416 361
Electrical maintenance spares		1 279 598	1 381 220
E Card replacement		2 152	2 576
Balance at the end of the year		**2 697 067**	**2 325 329**
Consumable stores	37	654 993	358 460
Stationery stores	39	502 303	375 636
Electrical maintenance spares	40	1 539 427	1 588 738
E Card replacement	47	344	2 496

No impairments of the values of inventory have been written off as management considers that all stores are useable and any losses on ultimate realisation are immaterial. Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority

Unsold properties held for resale:

Balance at the beginning of the year		988 999	828 100
Property, plant and equipment		988 999	828 100
Acquisitions		-	160 899
Revaluation		-	-
Balance at the end of the year		**988 999**	**988 999**
Property, plant and equipment		988 999	988 999

As at 30 June 2014 the Council held 11 lots available for sale in Eshowe, Mtunzini and Gingindlovu.

Total inventory		**3 686 066**	**3 314 328**

		2014	2013
		R	R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS			(Restated)
Receivables from exchange transactions		24 246 239	19 522 206
Less: Allowance for doubtful debts		-4 040 227	-1 313 409
		20 206 012	**18 208 798**
Other receivables from exchange transactions			
Salary suspense	45	9 787	5 493
Value added taxation	44	450 780	484 890
Other sundry receivables	49	142 869	90 549
Survey suspense	51	1 209 208	1 109 458
		1 812 644	**1 690 390**
		22 018 655	**19 899 188**

Management have considered the effects of any impairment in the values of outstanding and the value of the allowance for doubtful debts. The allowance is adequate to account for any material losses expected to arise from any adjustments that are required to be made to outstanding balances.

Receivables from exchange transactions			
Electricity	201	5 422 869	6 329 704
Housing		1 810 368	1 738 746
Refuse	203	1 851 769	1 301 164
Sundries	204	15 161 233	10 152 593
		24 246 239	**19 522 206**
Amounts written off as doubtful debts		-	621 590
As a percentage of total operating revenue		0.00%	0.32%
Debtors - number of days outstanding		75	68
Age analysis			
Electricity			
Current (0 to 30 days)		4 926 614	6 079 520
31 to 60 days		124 893	31 928
61 to 90 days		54 002	20 287
91 to 120 days		34 259	15 681
121 days and over		283 102	182 287
		5 422 869	**6 329 704**

	2014	2013
	R	R
RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)		
Age analysis		
Refuse		
Current (0 to 30 days)	1 039 696	871 890
31 to 60 days	101 716	57 944
61 to 90 days	100 295	36 915
91 to 120 days	61 373	33 054
121 days and over	548 688	301 360
	1 851 769	**1 301 164**
Sundries		
Current (0 to 30 days)	8 259 446	7 827 921
31 to 60 days	337 850	446 996
61 to 90 days	847 745	62 535
91 to 120 days	32 927	13 816
121 days and over	5 683 264	1 801 325
	15 161 233	**10 152 593**
Housing		
Current (0 to 30 days)	9 906	10 335
31 to 60 days	7 649	7 676
61 to 90 days	7 393	7 637
91 to 120 days	122 920	7 528
121 days and over	1 662 499	1 705 570
	1 810 368	**1 738 746**
Reconciliation of the allowance for doubtful debts for receivables from exchange transactions:		**(Restated)**
Balance at the beginning of the year	1 313 409	1 503 824
Contributions to allowance: From operating account	926 038	431 175
From housing operating account	1 800 780	
	4 040 227	1 934 999
Doubtful debts written off against allowance	-	621 590
Balance at the end of the year	**4 040 227**	**1 313 409**

		2014	2013
		R	R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			(Restated)
Receivables from non-exchange transactions			
Rates and penalties		11 581 094	8 001 224
Less: Allowance for doubtful debts		-2 365 411	-800 122
		9 215 683	**7 201 102**
Other receivables from non-exchange transactions			
Traffic fines		12 146 419	
Less: Allowance for doubtful debts		-10 372 197	
		1 774 222	**-**
		10 989 904	**7 201 102**
Receivables from non-exchange transactions			
Rates and penalties	200	11 581 094	8 001 224
		11 581 094	**8 001 224**
Age analysis			
Rates and penalties			
Current (0 to 30 days)		2 433 738	2 118 716
31 to 60 days		1 108 631	284 909
61 to 90 days		324 147	201 732
91 to 120 days		292 195	172 636
121 days and over		7 422 383	5 223 232
		11 581 094	**8 001 224**
Reconciliation of the allowance for doubtful debts for rates and penalties:			(Restated)
Balance at the beginning of the year		800 122	1 975 181
Contributions to allowance: From operating account		1 565 289	957 430
		2 365 411	2 932 611
Doubtful debts written off against allowance			2 132 489
Balance at the end of the year		**2 365 411**	**800 122**
Reconciliation of the allowance for doubtful debts for traffic fines:			
Balance at the beginning of the year		**-**	
Contributions to allowance: From operating account		10 372 197	
		10 372 197	
Doubtful debts written off against allowance			
Balance at the end of the year		**10 372 197**	

		2014	2013
		R	R
5. LOANS RECEIVABLE			
Deposits with creditors	293	671 164	658 123
		671 164	**658 123**
Housing loans	6	744 678	790 968
Less: Current portion transferred to current receivables			
Housing loans		-3 330	-10 397
Old age home		-15 349	-15 349
		-18 679	**-25 746**
Total		**725 999**	**765 222**

Housing selling scheme loans
Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Human Settlements programme. The loans are repayable over terms ranging from 5 to 30 years at rates varying between 11.25% and 13.5%

6. CASH AND CASH EQUIVALENTS			
The municipality has the following bank account:			
Current account (Primary Bank Account)			
First National Bank Limited, Eshowe Branch - Account No. 52 191 090 523			
Bank statement balance at the beginning of the year		5 473 264	7 180 629
Bank statement balance at the end of the year		4 106 872	5 473 264
Cash book balance at the beginning of the year		5 844 716	7 496 355
Cash and cash equivalents consist of the following:			
Cash book balance at the end of the year	352	8 556 334	5 844 716
Petty cash	350	24 700	24 700
Floats	351	1 440	1 440
Short term deposits	307	62 925 798	54 617 643
		71 508 272	**60 488 499**

The municipality has the following short term deposit accounts:

Standard Bank	**First National Bank**	**First National Bank**
Acc No 068 872 208-001	Acc No 62 002 158 758	Acc No 62 158 037 377
Acc No 068 872 208-002	Acc No 62 024 283 038	Acc No 62 239 675 260
Acc No 068 872 208-004	Acc No 62 071 691 309	Acc No 62 262 219 514
Acc No 068 872 208-005	Acc No 62 094 588 848	Acc No 62 299 224 594
Acc No 068 872 208-008	Acc No 62 094 589 036	Acc No 62 338 173 066
Acc No 068 872 208-009	Acc No 62 120 320 081	Acc No 62 378 736 593
Acc No 068 872 208-010	Acc No 62 124 937 246	Acc No 74 238 125 451
	Acc No 62 151 319 186	Acc No 74 298 900 702
		Acc No 74 372 275 097

7. PROPERTY, PLANT AND EQUIPMENT

	Properties	Community assets	Vehicles	Roads	Storm water	Electrical	Toolbox	Total
Reconciliation of carrying value								
Carrying values at 01 July 2013	**89 093 476**	**126 332 018**	**9 522 011**	**203 257 441**	**24 737 981**	**36 523 257**	**5 671 653**	**495 137 837**
Cost	89 093 476	163 031 592	16 240 113	384 904 869	85 036 274	64 315 775	11 323 800	813 945 899
Cost	89 093 476	163 031 592	16 240 113	384 904 869	85 036 274	64 315 775	11 323 800	813 945 899
Revaluation								
Accumulated depreciation	-	-36 699 574	-6 718 102	-181 647 425	-60 298 292	-27 792 520	-5 652 147	-318 808 060
Cost	-	-36 699 574	-6 718 102	-181 647 425	-60 298 292	-27 792 520	-5 652 147	-318 808 060
Revaluation								-
Under construction	-	5 719 760		10 606 268				16 326 028
Acquisitions	-	2 202 674	3 674 532	4 499 008	477 430	1 202 817	945 005	13 001 466
Increases/ (decreases) in revaluation	-							-
Depreciation	-	-5 923 195	-1 786 468	-7 243 128	-2 216 281	-2 800 170	-1 427 301	-21 396 543
Based on cost	-	-5 923 195	-1 786 468	-7 243 128	-2 216 281	-2 800 170	-1 427 301	-21 396 543
Based on revaluation								-
Carrying value of disposals								
Cost/ revaluation	-	-	-			-	-	-
Accumulated depreciation	-	-	-			-	-	-
Impairment losses		-3 422 470	-318 993	-210 996			-72 812	-4 025 270
Fair value adjustment		100 372	801 829			7 814	2 074 108	2 984 123
Carrying values at 30 June 2014	**89 093 476**	**125 009 159**	**11 892 911**	**210 908 594**	**22 999 129**	**34 933 718**	**7 190 652**	**502 027 640**
	89 093 476	167 631 928	20 397 481	399 799 150	85 513 704	65 526 406	14 270 101	842 232 246
Cost	89 093 476	167 631 928	20 397 481	399 799 150	85 513 704	65 526 406	14 270 101	842 232 246
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-42 622 769	-8 504 569	-188 890 553	-62 514 574	-30 592 690	-7 079 448	-340 204 603
Cost	-	-42 622 769	-8 504 569	-188 890 553	-62 514 574	-30 592 690	-7 079 448	-340 204 603
Revaluation								
Carrying values at 30 June 2014	**89 093 476**	**125 009 159**	**11 892 911**	**210 908 594**	**22 999 129**	**34 933 718**	**7 190 652**	**502 027 640**

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUE)

	(Restated) Properties	(Restated) Community assets	Vehicles	Roads	Storm water	Electrical	Toolbox	Total
Reconciliation of carrying value								
Carrying values at 01 July 2012	**143 098 413**	**52 657 948**	**5 095 849**	**189 082 708**	**23 125 315**	**39 797 897**	**3 160 215**	**456 018 344**
Cost	152 153 822	60 480 469	13 662 681	361 404 693	82 018 168	67 161 840	10 638 164	747 519 838
Cost	152 153 822	60 480 469	13 662 681	361 404 693	82 018 168	67 161 840	10 638 164	747 519 838
Revaluation								
Accumulated depreciation	-9 055 409	-7 822 521	-8 566 832	-172 321 981	-58 892 853	-27 363 944	-7 477 949	-291 501 489
Cost	-9 055 409	-7 822 521	-8 566 832	-172 321 981	-58 892 853	-27 363 944	-7 477 949	-291 501 489
Revaluation								-
Under construction	-	1 209 832		6 023 839				7 233 670
Acquisitions	-	4 947 612	2 753 792	13 669 567	3 018 104	357 750	1 636 137	26 382 962
Increases/ (decreases) in revaluation	11 537 193	-27 312 007	2 782 841	-999 874	-0	999 758	2 818 175	-10 173 914
Depreciation	-2 481 785	-1 565 046	-1 110 471	-8 325 570	-1 405 439	-1 722 128	-1 116 990	-17 727 428
Based on cost	-2 481 785	-1 565 046	-1 110 471	-8 325 570	-1 405 439	-1 722 128	-1 116 990	-17 727 428
Based on revaluation								
Carrying value of disposals			-176 360			-611 113	-124 617	-912 090
Cost/ revaluation		33 721 518						33 721 518
Accumulated depreciation	-	-	176 360			293 796	124 617	594 773
Reclassified	-63 060 348	62 672 162		3 806 772		-2 592 702	-825 884	-
Impairment losses		-						-
Fair value adjustment								-
Carrying values at 30 June 2013	**89 093 474**	**126 332 020**	**9 522 011**	**203 257 441**	**24 737 981**	**36 523 256**	**5 671 653**	**495 137 837**
	89 093 473	163 031 593	16 240 113	384 904 870	85 036 273	64 315 775	11 323 800	813 945 897
Cost	89 093 473	163 031 593	16 240 113	384 904 870	85 036 273	64 315 775	11 323 800	813 945 897
Revaluation								-
Accumulated depreciation	-	-36 699 574	-6 718 102	-181 647 425	-60 298 292	-27 792 519	-5 652 146	-318 808 057
Cost	-	-36 699 574	-6 718 102	-181 647 425	-60 298 292	-27 792 519	-5 652 146	-318 808 059
Revaluation					-			
Carrying values at 30 June 2013	**89 093 474**	**126 332 020**	**9 522 011**	**203 257 441**	**24 737 981**	**36 523 256**	**5 671 653**	**495 137 837**

		2014	2013
		R	R
8. INTANGIBLE ASSETS			(Restated)
Carrying values at the beginning of the year		294 399	277 453
Cost		1 067 139	1 013 241
Increases/ (decreases) in revaluation			231 028
Accumulated depreciation		-772 740	-966 816
Additions		75 280	53 897
Depreciation		-98 515	-36 952
Carrying values at the end of the year		**271 164**	**294 399**
Cost		1 142 419	1 067 139
Accumulated depreciation		-871 255	-772 740

Itangible assets are initially recognised at cost and are carried at cost less depreciation.

The municipality does not have any internally generated intangible assets.

9. INVESTMENT PROPERTY CARRIED AT FAIR VALUE

Investment property held by the municipality is as follows:

i) land leased for cane farming
ii) land leased to Government Departments
iii)land and buildings leased to sports associations
iv)crematorium at Eshowe cemetery
v) additional pieces of land leased by property owners
vi)old scheme house in Sunnydale

The fair value of these properties as valued by the Council's valuers, Messrs. HCB Property Valuators.

Carrying values at the beginning of the year		10 315 502	9 400 902
Cost		10 315 502	9 400 902
Acquisitions		-	-
Fair value adjustment		839 300	914 600
Fair value of disposals		-	-
Carrying values at the end of the year		**11 154 802**	**10 315 502**
Cost		11 154 802	10 315 502
Properties classified as investment properties at municipal value		8 122 400	8 122 400
Rental income derived from these properties amount to		1 191 958	1 147 930

10. INVESTMENTS

Unlisted			
Shares in co-operative - Coastal Farmers	306	1 000	1 000
		1 000	**1 000**

Council's valuation of unlisted investments

		2014	2013
		R	R
11. CONSUMER DEPOSITS			
Refuse	29	224 715	166 143
Electricity	30	1 041 362	988 874
		1 266 076	**1 155 017**
Guarantees held in lieu of electricity deposits		**399 629**	**574 450**

				(Restated)
12. PAYABLES FROM EXCHANGE TRANSACTIONS				
Creditors		41	13 924 642	18 398 874
Deposits - other		35	62 127	84 130
Salary suspense		48	325 134	-
Retention monies		46	417 013	732 513
Unidentified direct deposits		43	220 239	475 255
Value added taxation		55	738 738	879 519
Payments received in advance		42	1 461 902	1 764 737
Billing suspense		53	-	2 205
Accrued staff leave	(Refer note 38)		3 181 087	2 844 125
			20 330 882	**25 181 357**

VAT is payable on the receipts basis and is only due to SARS when payments are received from debtors

13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	GR	Balance unspent at 30/06/2014	Received during 2014	Interest earned 2014	Conditions met transferred to revenue	Balance unspent at 30/06/2013	Received during 2013	Interest earned 2013	Conditions met transferred to revenue	Balance unspent at 30/06/2012
		R	R	R	R	R	R	R	R	R
DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS										
Establishment of Animal Pound	54	-				-			-1 067 708	1 067 708
Community participation in IDP's		-	200 000		-200 000					
		-	**200 000**	**-**	**-200 000**	**-**	**-**	**-**	**-1 067 708**	**1 067 708**
NATIONAL TREASURY										
Municipal Systems Improvement Grant	15	-	890 000		-890 000	-	800 000		-800 000	-
Municipal Infrastructure Grant	35	9 569 687	32 567 000		-28 161 114	5 163 801	27 031 000		-24 986 426	3 119 227
Financial Management Grant	44	-	1 550 000		-1 550 000	-	1 500 000		-1 500 000	-
Expanded public works programme integrated grant		-	1 000 000		-1 019 370	19 370	1 000 000		-980 630	
		9 569 686	**36 007 000**	**-**	**-31 620 484**	**5 183 170**	**30 331 000**	**-**	**-28 267 056**	**3 119 227**
DEPARTMENT OF HUMAN SETTLEMENTS										
Sunnydale Low Cost Housing	51	1 540 730			-58 192	1 598 922	367 629		-250 800	1 482 093
Rural housing project		-	240 000		-240 000					
		1 540 730	**240 000**	**-**	**-298 192**	**1 598 922**	**367 629**	**-**	**-250 800**	**1 482 093**
DEPARTMENT OF ARTS AND CULTURAL										
Community library services grant	50	186 078	259 000		-225 312	152 390	214 800	6 359	-203 944	135 175
		186 078	**259 000**	**-**	**-225 312**	**152 390**	**214 800**	**6 359**	**-203 944**	**135 175**
DEPARTMENT OF SPORT AND RECREATION										
Infrastructure - Sport Facilities		525 000	525 000							
		525 000	**525 000**							
UTHUNGULU DISTRICT MUNICIPALITY										
Capacity Building	30	-				-				
Note book: Environmental Health Staff	30	-				-				
Information signs: Heritage - Route 66		-				-			-6 449	6 449
		-	**-**	**-**	**-**	**-**	**-**	**-**	**-6 449**	**6 449**
DEPARTMENT OF MINERALS AND ENERGY										
Integrated national electrification programme grant		7 489 579	8 000 000		-7 380 118	6 869 697	15 000 000		-8 130 303	**-**
		7 489 579	**8 000 000**	**-**	**-7 380 118**	**6 869 697**	**15 000 000**		**-8 130 303**	**-**
DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES										
Greenest Municipality Grant	53	-			-21 659	**21 659**		1 896	-96 860	**116 623**
		-	**-**	**-**	**-21 659**	**21 659**	**-**	**1 896**	**-96 860**	
Unspent conditional grants		**19 311 073**	**45 231 000**	**-**	**-39 745 765**	**13 825 838**	**45 913 428**	**8 254**	**-38 023 121**	**5 810 651**
DONATIONS AND PUBLIC CONTRIBUTIONS										
Electrical network upgrade		562 600	224 670	23 767		**314 162**	13 345	20 571	-212 282	492 528
Dorothy Irons bursary fund		16 236		697		**15 539**		624		14 915
Indigent support		243 643		10 470		**233 173**	355	9 527	-137	223 428
SMME Establishment		1 850 263		38 906		**1 811 357**		64 855		1 746 502
Library events		-				-	500		-500	
Unspent donations and public contributions		**2 672 742**	**224 670**	**73 841**	**-**	**2 374 231**	**13 700**	**95 577**	**-212 419**	**2 477 373**
UNSPENT CONDITIONAL GRANTS AND RECEIPTS		**21 983 815**	**45 455 670**	**73 841**	**-39 745 765**	**16 200 069**	**45 927 128**	**103 831**	**-38 235 540**	**8 288 024**

		2014	2013
		R	R
14. LOANS PAYABLE			
Annuity loans		5 142 234	5 485 050
		5 142 234	5 485 050
LESS : Current portion transferred to current liabilities		-342 816	-342 816
Total loans payable		**4 799 419**	**5 142 235**

(Refer to Appendix A for more detail)
Annuity loans
Bear interest of 12.422% per annum, and is redeemed in bi-annual instalments, including interest, over a period of 20 years.

Fair value impairments
Long term loans are recorded at the actual liability to loan creditors.
No impairment, if any has been recognised.

			(Restated)
15. EMPLOYEE BENEFITS			
Current portion of post retirement medical benefits		444 000	365 596
Current portion of long service awards and retirement gifts		349 000	476 047
		793 000	**841 643**
16. PROVISIONS			
Provision for rehabilitation of landfill site			
Balance at the beginning of the year		6 558 208	7 532 823
Impairment loss			
Expenditure incurred		6 133 994	974 615
Balance at the end of the year	300	**424 214**	**6 558 208**

Provision has been made for the estimated cost of rehabilitating the council's landfill site. Municipal Infrastructure Grant (MIG) funding to the amount of R9 755 401 was obtained to fund the rehabilitation. A tender was awarded on 09 April 2013 to a service provider at a tender price of R7 303 956.25 inclusive of a 10% contingency provision and 14% VAT, to commence with the rehabilitation of the landfill site.
The rehabilitation of the landfill site should be completed in the 2014/2015 financial year.

		2014	2013
		R	R

17. EMPLOYEE BENEFIT OBLIGATIONS

17.1 Provision for post retirement medical benefits

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the medical aid provision after retirement.

An actuarial valuation was carried out at 30 June 2014 and the full liability has been raised which relates to retired employees and existing employees. The main assumptions used by the actuary are:

Discount rate per annum		8.94%	8.84%
Health care cost inflation rate		8.05%	7.67%
Net effective discount rate		0.82%	1.09%
Medical benefit inflation (long term) CPI increases		7.05%	6.17%
Accrued liability at 30 June 2014	105	12 580 000	10 588 507
Future - service cost		444 000	365 596
Interest cost		1 124 000	920 249
Expected benefits payments		-463 000	-371 748
Actuarial loss/ (gain)			-
Total annual expense		1 105 000	914 097
Projected accrued liability at 30 June 2015		13 685 000	11 502 604
Total liability	105	12 580 000	10 588 507
Current portion of long term liability		-444 000	-365 596
Long term		**12 136 000**	**10 222 911**

17.2 Provision for long-service awards

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.
An actuarial valuation was carried out at 30 June 2014 and the full liability has been raised. The main assumption used by the actuary are:

Discount rate per annum	7.96%	7.29%
General salary inflation rate (long term)	7.33%	6.76%
Net effective discount rate	0.59%	0.50%
Benchmark inflation (equal to salary inflation)	6.33%	5.76%

		2014	2013
		R	R
17.2 Provision for long-service awards (continue)			
Accrued liability at 30 June 2014	106	3 533 000	2 857 440
Future - service cost		349 000	476 047
Interest cost		278 000	209 703
Expected benefits payments		-306 000	-431 918
Actuarial loss/ (gain)		-	-
Total annual expense		321 000	253 832
Projected accrued liability at 30 June 2015		3 854 000	3 341 024
Total liability	106	3 533 000	3 087 192
Current portion of long term liability		-349 000	-476 047
Long term		**3 184 000**	**2 611 145**
Total employee benefit obligations		**15 320 000**	**12 834 056**

18. HOUSING OPERATING ACCOUNT

Government loans extinguished in 1998	1	2 351 749	4 189 367
Instalments received from borrowers	2	8 086 705	7 600 126
Accumulated surplus	3	366 122	343 685
		10 804 576	**12 133 178**
Fixed assets	4	-	-
Debtors - short term	5	1 810 368	1 738 746
Debtors - long term	6	744 678	790 968
Short term deposit - external		8 086 705	7 600 126
Cash at bank		162 825	2 003 338
		10 804 576	**12 133 178**

	2014	2013
	R	R
19. REVALUATION RESERVE		(Restated)
The revaluation reserve is reconciled as follows:		
Balance at the beginning of the year	272 212 518	258 459 774
Surplus arising on newly identified municipal assets		33 721 518
Correction of municipal assets depreciation		-9 942 886
Write off against revaluation of properties		
	272 212 518	282 238 406
Less: Depreciation recovered	12 212 128	10 025 888
Balance at the end of the year	**260 000 390**	**272 212 518**
20. ACCUMULATED SURPLUS		
Accumulated surplus/ (deficit) at the beginning of the year	234 968 350	198 590 516
Operating (deficit)/ surplus for the year	34 287 247	36 377 834
Appropriations for the year :		
Prior year adjustments	-795 339	
Financing of acquisitions ex reserves		
Accumulated surplus/ (deficit) before transfers to reserves	**268 460 258**	**234 968 350**
Transfer to reserves:		
Capital replacement reserve		
Balance at the beginning of the year	10 531 499	
Income	8 016 401	10 531 499
Transfer from prior years unspent equitable share grants		3 741 351
Transfer from MIG - MIG expenditure paid out of own funds	2 881 985	
Land sales contribution	253 550	
Transfer of unspent capital equitable share grant funding	637 820	2 766 761
Interest received on investment	506 296	258 807
Contribution from operating account	3 736 750	3 764 580
Less: Expenditure	-	
Funding of capital projects		
Balance at the end of the year	18 547 900	10 531 499
The Council at its meeting held on 30 May 2013, approved a Funding and Reserve Policy.		
The Capital Replacement Reserve is fully funded and invested.		
Accumulated surplus/ (deficit) at the end of the year	**287 008 158**	**245 499 849**

		2014	2013
		R	R
21. PROPERTY RATES			
The last general valuation came into effect on:			
Eshowe		01/07/2011	01/07/2011
Mtunzini		01/07/2011	01/07/2011
Gingindhlovu		01/07/2011	01/07/2011
Rate randages:			
Residential		1.17	1.11
Commercial and Industrial		1.17	1.11
Vacant land		1.17	1.11
Mining		2.34	2.34
Government		1.17	0
Municipal		1.17	1.11
Clubs/ Churches		1.17	1.11
Agricultural		0.29	0.28
Public service infrastructure		0.29	0.28
Rebates:			
Municipal properties		100%	100%
Government properties		20%	20%
Pensioners		40%	40%
Residential properties with land values of R50 000 and less		100%	100%
Public Service Infrastructure		30%	30%
Industrial incentives			
All undeveloped serviced industrial sites where the industrial developer has provided the full range of Municipal services Industrialists are granted incentive rebates on a phased reducing basis over five years		100%	100%
Actual			
Commercial		6 552 049	5 927 573
Residential		22 499 260	20 206 014
Education and state		2 787 172	3 042 779
Agriculture		2 824 405	2 249 970
Municipal		3 385 945	2 351 110
Public benefit		1 199 356	1 074 715
Public Service Infrastructure		4 378 549	4 247 471
Total property rates		**43 626 735**	**39 099 632**
Less: Rebates	6792	10 399 628	8 925 227
Total		**33 227 107**	**30 174 405**

		2014	2013
		R	R
PROPERTY RATES (CONTINUE)			
Valuations			
Commercial		536 198 300	521 044 100
Residential		2 045 688 550	1 982 331 800
Education and state		234 675 600	245 893 600
Agriculture		885 897 450	890 068 850
Municipal		118 524 700	156 305 800
Public benefit		55 395 000	55 716 600
Public Service Infrastructure		2 138 485 400	2 138 485 400
Total property valuations		**6 014 865 000**	**5 989 846 150**

In terms of the provisions of Section 32 (1)(b) of the Local Government: Municipal Property Rates Act (Act No. 6 of 2004), a valuation roll remains valid for that financial year or for one or more subsequent financial years as the municipality may decide, but in total not for more than four (4) financial years.

Tenders were invited for service providers for the compilation of a new valuation roll. In terms of the Council's Supply Chain Management Policy, the Bid Committees evaluated and recommended the award of the tender to Messrs HCB Property Valuators to compile a new valuation roll which was implemented on 01 July 2011.

22. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share grant	70	82 860 500	76 090 043
Department of Co-operative Governance and Traditional Affairs	71	4 262 714	4 157 690
Department of Minerals and Energy	114	7 380 119	8 130 303
Provincial health subsidies	72	-	201 458
Provincial administration	73	3 533 504	1 635 964
uThungulu District Municipality	74	482 719	482 719
Total government grants and subsidies		**98 519 556**	**90 698 176**

22.1 Equitable share grant

Balance at the beginning of the year	0	-
Equitable share grant allocation for the reporting year	-91 327 000	-79 831 030
Transferred to revenue	82 860 500	70 037 600
Transferred to capital funding	8 466 500	9 793 430
Unspent operating equitable share allocations in 2014	-949 461	-940 440
Unspent capital equitable share funding in 2014	-637 820	-2 766 761
Transfer to Capital Replacement Reserve (Note 20)	1 587 281	3 707 201
		-
Balance at the end of the year	**0**	**0**

	2014	2013
	R	R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
22.2 Department of Co-operative Governance and Traditional Affairs		
Balance at the beginning of the year	41 029	116 623
Current year receipts	4 840 000	4 157 690
Conditions met - transferred to revenue	4 322 735	4 233 284
Conditions still to be met - transferred to liabilities (Note 13)	**558 294**	**41 029**
22.3 Department of Minerals and Energy		
Balance at the beginning of the year	6 869 697	
Current year receipts	8 000 000	15 000 000
Conditions met - transferred to revenue	7 380 118	8 130 303
Conditions still to be met - transferred to liabilities (Note 13)	**7 489 579**	**6 869 697**
22.4 Provincial health subsidies		
Current year raised - included in public health vote	-	201 458
Transferred to receiveables (Note 3)	-	-201 458
	-	**-**
22.5 Provincial administration		
Balance at the beginning of the year	1 751 312	1 617 268
Current year receipts	3 893 000	1 635 964
Conditions met - transferred to revenue	3 392 504	1 501 920
Conditions still to be met - transferred to liabilities (Note 13)	**2 251 808**	**1 751 312**
22.6 uThungulu District Municipality		
Current year raised - included in public health vote	482 719	482 719
Transferred to receiveables (Note 3)	-482 719	-482 719
	-	

		2014	2013
		R	R
23. SERVICE CHARGES			
Sale of electricity	11	51 756 175	49 305 346
Refuse removal	20	9 389 635	8 194 363
		61 145 810	**57 499 708**
24. RENTAL OF FACILITIES AND EQUIPMENT			
Included in the rental of facilities are the following:			
Community halls/ Eshowe Sports Club	5410	126 003	121 908
Sugar cane leases	5190	990 545	1 391 339
Staff houses	5465	67 799	57 822
Sunnydale house			-
Other rentals	5200	138 759	136 049
		1 323 105	**1 707 118**
25. INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank	5310	3 074 293	2 491 098
		3 074 293	**2 491 098**
26. LICENCES AND PERMITS			
Trade licences	5260	3 177	3 134
Testing station fees	5270	2 036 954	2 154 933
Registration of vehicles	5280	1 260 301	1 226 211
Rank permits	5520	8 935	5 219
		3 309 366	**3 389 497**

		2014	2013
		R	R
27. OTHER INCOME			
Included in the other income are the following:			
Building plan fees	5210	423 220	223 096
Burial fees	5005	135 371	149 097
Caravan park entrance fees	402	15 032	6 634
Commission on stop orders	5080	30 256	29 516
Electricity connection fees	5220	360 811	334 095
Encroachment fees	5300	48 534	37 899
Garden refuse removal	5205	63 302	58 220
Housing administration fees and Insurance	5450	69 647	66 888
Photocopying	5265	208 887	185 733
Pre paid electricity sales administration fees	5555	276	24 777
Profit on E-card sales	5045	9 410	14 098
Rates clearance certificates	5070	87 400	32 350
SETA refund on staff training costs	5420	44 756	260 572
Swimming pool fees	404	1 825	5 785
Sundry	5075	1 209 075	185 233
Town planning	5275	74 372	156 360
Use of refuse transfer station	5207	160 436	75 017
		2 942 609	**1 845 370**
28. GAIN/ (LOSS) ON SALE OF ASSETS			
Property, plant and equipment	5293	253 550	121 876
Intangible assets		-	-
Investment property		-	-
Other financial assets		-	-
		253 550	**121 876**
29. EMPLOYEE RELATED COSTS			
29.1 REMUNERATION OF KEY MANAGEMENT PERSONNEL:			
Remuneration of the Municipal Manager			
Annual remuneration		1 016 330	917 227
Performance bonus		61 013	57 022
Travel allowance		180 000	15 000
Contributions to UIF,Medical and Pension Funds		1 785	162 313
Group life		20 327	18 345
		1 279 454	**1 169 907**

		2014	2013
		R	R
29.1 REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUE):			
Remuneration of the Chief Financial Officer			
Annual remuneration		674 327	619 537
Performance bonus		32 220	112 419
Travel allowance		76 270	65 000
Contributions to UIF,Medical and Pension Funds		93 830	38 606
Group life		13 487	5 427
		890 134	**840 989**
The Chief Financial Officer was appointed on 01 February 2013.			
Remuneration of the Director: Corporate Services			
Annual remuneration		664 376	255 852
Performance bonus		16 558	103 016
Travel allowance		120 000	50 000
Contributions to UIF,Medical and Pension Funds		1 785	744
Group life			
		802 719	**409 612**
The Director: Corporate Services was appointed on 01 February 2013.			
Remuneration of the Director: Protection Services			
Annual remuneration			300 223
Acting allowance			8 800
Travel allowance			54 000
Contributions to UIF,Medical and Pension Funds			821
Group life			6 004
		-	**369 848**
The position of the Director: Protection Services, is vacant since 01 January 2013.			
Remuneration of the Director: Community Services			
Annual remuneration		640 683	550 750
Performance bonus		29 525	-
Travel allowance		144 000	-
Contributions to UIF,Medical and Pension Funds		1 785	1 338
Group life			-
		815 993	**552 088**
The Director: Community Services was appointed on 05 October 2012.			
Remuneration of the Director: Engineering Services			
Annual remuneration		627 816	505 602
Performance bonus		16 403	103 016
Travel allowance		144 004	108 000
Contributions to UIF,Medical and Pension Funds		1 785	50 266
Group life		12 556	4 821
		802 564	**771 705**
29.2 EMPLOYEE RELATED COSTS			
Salaries and allowances	80	40 505 617	36 945 385
Contributions to UIF, group life, pensions and medical aid	81	10 278 443	9 928 287
Travel, motor car, accomodation, subsistance and other allowances	82	3 277 374	2 220 111
Housing benefits and allowances	83	115 203	132 277
Overtime payments	84	3 514 519	3 190 657
Performance bonus	85	155 719	375 473
Protective clothing	87	259 955	325 123
Workmen's compensation	88	955 991	619 803
Skills development levy	102	507 137	463 437
		59 569 958	**54 200 554**

			2014	2013
			R	R
30. REMUNERATION OF COUNCILLORS				
Mayor's allowance		13	700 516	665 421
Deputy mayor's allowance	(Position vacant from 20 May 2014 to 30 June 2014)		518 023	472 029
Speaker's allowance			564 951	536 311
Chief whip's allowance			531 060	506 224
Executive committee members' allowances			2 446 085	2 103 794
Councillors' allowances			8 202 026	7 842 734
Councillors' pension and medical aid contributions			725 512	606 071
			13 688 172	**12 732 586**

The Mayor ,Deputy Mayor, Speaker and Chief whip are full time councillors, and have offices and secretarial support at the cost of the Council.
The Mayor, Deputy Mayor and Speaker has the use of Council purchased vehicles for official duties.
As from 25 March 2014, four (4) Executive Committee Members were appointed as full time councillors, and have no offices and secretarial support.
Security (body guards) are provided, at the cost of Council, to office bearers as follows:

Mayor	2
Deputy mayor	2
Speaker	2
Chief whip	2
Councillors (11)	16

31. DEPRECIATION AND IMPAIRMENT LOSS			
Depreciation: Property, plant and equipment		9 184 415	8 018 857
Impairment loss on property, plant and equipment		4 025 270	
Depreciation: Intangible assets		98 514	36 952
		13 308 199	**8 055 809**
32. REPAIRS AND MAINTENANCE			
Buildings	6930	291 055	369 252
Electricity mains	7050	310 961	311 526
LV & HV Upgrading	7102	548 657	556 574
Electricity sub stations	7010	28 683	27 310
Fuel and oil	7180	2 955 371	2 284 211
Furniture and equipment	6950	124 996	114 996
Grounds (Parks and gardens, Cemeteries, Refuse transfer site)	6960	24 500	50 978
Grounds (Recreation grounds)	6970	289	10 337
Information signs	7080	3 592	13 001
Office equipment	6900	16 292	34 546
Roads and streets	6910	790 017	742 107
Small plant and equipment	7021	132 962	105 953
Speed testing equipment	7120	5 762	9 729
Street lights	7100	313 889	206 681
Traffic signs	7110	33 364	28 323
Transport	7020	1 301 969	950 321
Maintenance: Air conditioners	6951	17 662	19 616
Maintenance: Little Flower School parking	9913	-	494 068
Maintenance: Swimming pools	7000	1 177	1 293
Maintenance: Rural grounds	9914	81 660	33 640
Maintenance: Rural halls	9915	77 132	233 204
Maintenance: Rural roads	7152	7 971 826	
Maintenance: Urban halls	7152		1 327 584
Maintenance: Urban roads	7153	-	2 605 284
Street Names	7090	3 211	6 722
Private Jobbing	7130	-	2 467
		15 035 026	**10 539 721**

		2014	2013
		R	R
33. FINANCE COSTS			
	64	660 474	703 257
Loans payable	65	-	5 665
Bank overdraft			
Total finance costs		**660 474**	**708 921**
34. BULK PURCHASES			
Electricity	75	**38 635 787**	**35 991 959**
35. CONTRACTED SERVICES			
Contracted services for:			
Animal pound	7871	699 410	635 958
Archive storage	7856	44 924	34 404
Bank collections	7775	192 747	162 102
Cleaning : Bus rank	7830	609 750	590 187
Cleaning Contracts	7770	155 470	163 320
Computer maintenance	7845	1 140 274	942 501
Grass cutting	9908	1 399 256	1 370 738
Insurance	7850	666 198	617 755
Internal audit	7760	778 696	632 700
Lease: Propnet properties	7795	438 800	302 271
Lease: Radio repeater site	7873	3 082	2 632
Lease: Weigh bridge	7857	326 955	341 375
Mailing: Monthly consumer accounts	7872	217 014	181 421
Management system: Pre paid electricity	7840	194 159	156 980
Medical waste	7810	-	6 458
Pauper burials	7820	4 950	1 000
Post employment report	7860	25 000	25 000
Pre paid electricity commission	7859	476 426	276 935
Refuse removal	7835	3 896 168	4 775 422
Rental of office equipment	7855	655 537	521 669
Security: Office bearers and Council buildings	7800	7 304 321	4 531 177
Security: Sport fields	9909	326 814	478 349
Town planning	7780	336 259	381 294
Traffic violation system	7805	1 521 274	1 982 998
Valuation costs: Monthly maintenance	7785	353 602	338 955
		21 767 083	**19 453 600**

		2014	2013
		R	R
36. CONTRIBUTIONS TO POST RETIREMENT MEDICAL BENEFITS AND LONG-SERVICE AWARDS			
Post retirement medical benefits	6100	2 393 115	1 159 897
Long-service awards	6101	857 586	437 688
		3 250 700	**1 597 584**
37. GENERAL EXPENSES			
Advertising	6120	581 853	541 843
Audit fees	6150	1 376 836	1 520 720
Bank charges	9901	422 602	369 988
Bargaining Council levies	9910	21 812	20 474
Bursaries	9902	75 957	47 943
Cash handling fee: Easy pay	6852	22 664	19 005
Chemicals	6180	12 358	23 947
Civic expenses	6190	218 761	199 537
Cleaning materials	9903	85 363	87 046
Conference and delegations	6230	37 903	20 652
Contribution to Capital Replacement Reserve	7415	3 990 300	4 023 386
Council's communication (Annual report,IDP and Quarterly newspaper)	9904	271 507	109 704
Electricity: Other accounts	6311	548 605	544 519
Entertainment allowances	6335	88 731	104 167
Finance Management Grant	9905	1 510 934	1 457 302
Furniture removal cost: Staff	6711	7 499	-
Government grants expenditure	9906	19 262 731	24 809 537
Grants and subsidies paid		2 958 987	2 811 927
Fruitless and wasteful expenditure	6441	1 094 366	
Legal expenses	6470	2 369 939	1 294 465
Library: Purchasing of new books	6490	14 032	13 116
License fees	6630	32 717	31 238
Loose Tools	6500	15 988	21 921
Medical supplies	6530	-	48 607
Membership fees (SALGA)	6730	693 280	470 219
Periodicals and publications	6570	17 066	47 818
Postage	6590	23 537	42 770
Printing and stationary	6600	470 303	444 490
Publicity	6620	32 184	44 473
Redundant stock	6640	10 645	25 267
Refuse bin liners	6650	673 824	659 952
Removal of informal settlements	6606	56 187	
Rental of buildings	6431	43 930	39 770
Road marking	6540	102 731	82 600
SABS: 3% charge	6680	13 370	61 766
Subscriptions	9912	14 692	6 535
Subsistence and travel: Staff	405	836 364	653 021
Subsistence and travel: Councillors	406	384 724	411 183
Telephone costs	6750	958 358	931 928
Trees and shrubs	6780	13 672	12 716
Traffic: Ammunition and training	6130	14 032	13 695
Training	6710	225 036	309 394
Ward committees	9916	530 191	928 207
Water and sanitation costs	6850	1 074 277	1 392 120
Weed eradication	6840	350 764	250 026
Other	9917	4 364	3 269
		41 565 974	**44 952 264**

			2014	2013
			R	R
38. ACCRUED STAFF LEAVE				
Balance at the beginning of the year			2 844 125	2 808 550
Contributions to provision		7400	**1 367 423**	**1 381 949**
Commuting of staff leave against provision			1 030 461	1 346 374
Balance at the end of the year	(Refer note 12)		**3 181 087**	**2 844 125**
39. FAIR VALUE ADJUSTMENT				
Fair value adjustment for investment properties			839 300	914 600
Fair value adjustment for property, plant and equipment			2 984 123	
			3 823 423	**914 600**
40. CASH GENERATED BY OPERATIONS				
Surplus/ (deficit) for the year			34 309 684	36 456 455
Adjustments for:-				
Previous year's operating transactions			-795 339	-
Depreciation			13 308 199	8 055 809
Contribution to the Capital Replacement Reserve			6 618 735	10 531 499
Funding of capital projects			-	
(Gain)/ loss on sale of assets			-253 550	-121 876
Fair value adjustment			-3 823 423	-914 600
Public contributions			-56 148	-97 380
Non-cash flow movement			-122 959	348 701
Contributions to provisions (non-current)				
Post retirement medical benefits and long service awards			3 250 700	1 597 584
Contributions to provisions (current)				
Staff leave			1 367 423	1 381 949
Interest on investments			-3 074 293	-2 491 098
Finance costs			660 474	708 921
Non-operating expenditure				
Expenditure for leave			-1 030 461	-1 346 374
Expenditure for long service awards			-411 778	-247 977
Expenditure for post retirement medical benefits			-464 205	-300 584
Operating surplus before working capital changes:			**49 483 060**	**53 561 028**
(Increase)/ decrease in inventory			-371 738	-540 866
(Increase)/ decrease in receivables from exchange transactions			-2 153 577	-5 174 207
(Increase)/ decrease in receivables from non-exchange transactions			-3 788 802	348 444
(Increase)/ decrease in VAT receivable			34 110	-484 890
(Increase)/ decrease in deposits with creditors			-13 041	-5 000
Increase/ (decrease) in VAT payable			-140 781	366 804
Increase/ (decrease) in unspent conditional grants and receipts			5 783 746	7 795 422
Increase/ (decrease) in payables from exchange transactions			-4 709 695	12 245 877
Increase/ (decrease) in employee benefits			-48 643	-12 305 660
			-5 408 420	**2 245 924**
Cash generated by operations			**44 074 639**	**55 806 952**

	2014	2013
41. INCREASE/ (DECREASE) IN LONG TERM LOANS (EXTERNAL)		
Loans raised	-	-
Loans repaid	-342 816	-342 816
	-342 816	**-342 816**
42. (INCREASE)/ DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	60 488 499	37 547 730
LESS : Cash balance at the end of the year	71 508 272	60 488 499
	-11 019 773	**-22 940 769**

43. RETIREMENT BENEFITS

The municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (the 2013 interim has been completed).

43.1 Superannuation

An interim actuarial valuation of the fund was carried out for the period ending 31 March 2013 (31/03/2012) The actuarial value of total assets was more (less) than the actuarial value of liabilities for the service of members to that date and for pensioners by: made up as follows :	418 013 000	135 000 000
For service to 31 March 2013		
for pensioners - surplus funding level 128.8% (2012: surplus funding level 116%)	576 729 000	405 000 000
for members - deficit funding level 96.2% (2012: deficit funding level 93%)	-158 716 000	-270 000 000

	2014	2013
	R	R
RETIREMENT BENEFITS (CONTINUE)		
The fund held an Investment Reserve at 31 March 2013 of	-1 851 000	298 300 000

Conclusion
1. The valuation reveals that the total Fund is 97.9% funded as at the valuation date at the overall level. The pensioner liabilities are fully funded and the liabilities in respect of active members are 96.2% funded.
2. The surcharge of 9.5% will continue to be paid in terms of the "Scheme to Eliminate Deficiency" to eliminate the shortfall and then to build up sufficient solvency reserves.

43.2 Provident Fund

The salient features of the Statutory Valuation Report on the fund as at 31 March 2013 were that the net market value of the fund's assets were not sufficient to fully cover the members' share account and to provide total reserves of	1 584 921 000	1 255 238 000
The liabilities of the fund did not exceed the assets, resulting in a small surplus (or unallocated assets) of	66 473 000	33 053 000

which represents 4.2% of liabilities and reserves. At the previous statutory valuation unallocated assets amounted to 2.6% of liabilities and reserves. This volatility in the unallocated assets is a feature of the smoothed bonus approach followed by the Fund.

Conclusion
1) The actuary do not recommend that any final bonus be declared at the valuation date.
2) The Fund self-insures its death benefits and disability benefits.
3) The actuary is satisfied that the asset composition on the valuation date is appropriate.
4) Members are able to choose a rate of contribution between 5% and 9.25% of of pensionable salaries.

43.3 Retirement Fund

The salient features of the statuary valuation of the fund at 31 March 2013 are:		
The actuarial value of total assets of the fund was less than the actuarial value of the liabilities for the service of members to that date and for pensioners by:	-14 433 000	-83 600 000
Made up as follows:		
For service to 31 March 2013		
for pensioners - funding level 122.6% (2012 : funding level 115.3%) - surplus	189 327 000	167 900 000
for members - funding level 86.0% (2012 : funding level 82.0%) - deficit	-203 760 000	-251 500 000
The fund was thus funded	86.00%	82.00%

The fund did not hold an investment reserve.

	2014	2013
	R	R

RETIREMENT BENEFITS (CONTINUE)

With effect from 01 July 2000, local authorities commenced paying a surcharge equal to 2% of pensionable salaries. It was subsequently increased each year and is currently 15.85% 15.35%
and members pay 1.65% 1.65%
The previous statuary valuation as at 31 December 2009 showed a deficit in the Fund. The employers and members are paying a surcharge of 17.5% of pensionable salaries (for all active members at 31 December 2002), which was expected to fund the deficit over a five year period to 30 June 2015. Even though a surcharge was paid during the valuation period, the funding level has not increased by as much as was expected. This is primarily as a result of high salary increases over the valuation period and a strengthening of the valuation basis.

Conclusion

1) The Fund is 93.1% funded as at the valuation date at the overall level. The pensioner liabilities are fully funded and the liabilities in respect of active members are 86.0% funded. The financial position of Fund has thus improved since the previous valuation date.
2) The actuary recommend that the surcharge continue to be paid in terms of the "Scheme to Eliminate Deficiency" to firstly eliminate the short fall and then build up sufficient solvency reserves.
3) The Fund self-insures its risks benefits.

43.4 Municipal Councillors' Pension Fund

The Municipal Councillors' Pension Fund operates as a defined contribution fund. The contributions paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The financial statements of the fund have not been audited since June 2006, and the financial position of the fund is not available.

44. CAPITAL COMMITMENTS

44.1 Commitments in respect of capital expenditure

Approved and contracted for	**31 643 600**	**12 680 790**
Infrastructure	31 643 600	12 680 790
Community		
Other		
Approved and not contracted for	**30 804 610**	**33 295 210**
Infrastructure	15 665 000	24 141 770
Community	7 392 400	4 250 000
Other	7 747 210	4 903 440
Total	**62 448 210**	**45 976 000**
This expenditure will be financed from:		
Own resources	15 910 000	3 500 000
Government grants	46 538 210	42 476 000
	62 448 210	**45 976 000**

		2014	2013
		R	R

CAPITAL COMMITMENTS (CONTINUE)

44.2 Operating leases

Council has concluded operating lease agreements with suppliers which are required to be paid in instalments as follows:

In the year ending 30 June 2014			303 749
In the year ending 30 June 2015		301 278	
Total		**301 278**	**303 749**

44.3 Finance lease liability

Council has not concluded any finance lease agreements with suppliers.

45. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

45.1 Contributions to organised local government

South African Local Government Association (SALGA)

Opening balance		-	-
Council subscriptions:	101	693 280	470 219
Bargaining council	103	21 812	20 474
Amount paid - current year		-715 092	-490 693
Balance unpaid (included in payables)		**-**	**-**

45.2 Audit fees

Opening balance	**-**	**-**
Current year audit fees	1 569 593	1 520 720
Amount paid - current year	-1 569 593	-1 520 720
Balance unpaid (included in payables)	**-**	**-**

45.3 Value added tax

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.
VAT input receivables are shown in note 3 and VAT input payables are shown in note 11. All VAT returns have been submitted by the due date throughout the year.

45.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	8 558 929	7 739 393
Amount paid - current year	-8 558 929	-7 739 393
Balance unpaid (included in payables)	**-**	**-**

	2014	2013
	R	R

ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)

45.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council contributions	14 232 760	13 092 945
Amount paid - current year	-14 232 760	-13 092 945
Balance unpaid (included in payables)	-	-

45.6 Councillor's arrear consumer accounts

	Total	Less than 90 days	More than 90 days
The following Councillor had an arrear account outstanding for more than 90 days as at 30 June 2013.	2 463.94	1 366.38	1 097.56
Cllr S Naicker			
Total outstanding	**2 463.94**	**1 366.38**	**1 097.56**

Outstanding during the year of 2012/2013

	Highest amount outstanding	Ageing days
	1 960.00	150 days
Cllr S Naicker		
Total outstanding	**1 960.00**	

There were no councillor's arrear accounts as at 30 June 2014.

46. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

46.1 Unauthorised expenditure

For the year ended 30 June 2013:
In terms of Section 15 of the Municipal Finance Management Act, the following amounts were in excess of the budgeted amount as per respective line votes:

Opening balance				2 605 406	
Operating:					
	Budget	Actual	Variance		
Executive and Council	44 918 133	47 242 264	2 324 131		
Corporate Services	7 885 800	7 895 863	10 063		
Public safety	18 585 500	18 697 404	111 904		
Waste management	14 892 810	15 052 118	159 308		2 605 406

A large portion of the amount was approved as valid expenditure by the Executive Committee at its meeting held on 02 October 2013.

(Exco Min No. 78/13/14)	-2 582 553	

		2014	2013
		R	R

Unauthorised expenditure (continue)

For the year ended 30 June 2014:
In terms of Section 15 of the Municipal Finance Management Act, the following amounts were in excess of the budgeted amount as per respective line votes:

Operating:

	Budget	Actual	Variance	
Executive and Council	54 093 063	61 327 983	7 234 920	
Public safety	21 763 730	32 157 848	10 394 118	17 629 038

Executive and Council: 1) Fruitless and wasteful expenditure of R1.2 million was recorded.
2) Additional depreciation of R1.9 million rand was calculated on the Council's assets.
3) With the implementation of the new asset register, impairment losses of over R4 million were calculated.

Public safety: The allowance for doubtful debts for traffic fines is causing the over expenditure. A new accounting standard has been implemented where the issued traffic fines must be recognised as revenue.

Closing balance	**17 651 891**	**2 605 406**

Refer Appendix E (1)

46.2 Irregular expenditure

Balance at the beginning of the year	8 000 367	468 430
46.2.1		
During the evaluation of the bid for the construction of the Gingindlovu office roof, the Evaluation Committee did not comply with Supply Chain management Regulation 46(2), for the following reasons:		
a) Correction fluid was used in the bid documentation; and		
b) The lead partner for Kubuhla Engineering and Building Solution did not sign the joint venture certificate.		
Based on the bid documentation, the bid should have been non-responsive. Payments made to the service provider (Khuluse Projects cc) in the 2012/2013 financial year are deemed to be irregular.		481 089
Adjustment for the payments made in the 2012/2013 financial year.	-177 410	
Payments made in the 2013/2014 financial year are also deemed to be irregular.	526 767	
46.2.2		
A bid to the value of R15 138 378.29, for a electrification programme in the uMhlatuzana area, was advertised for less than 30 days. This is in contravention with Section 22(1)(b)(1) of the Supply Chain Management Regulations, which states that in the case of transactions over R10 million (VAT included), may not be advertised for less than 30 days. Therefore, the payments that were made to the service provider in the 2012/2013 financial year are deemed to be irregular.		5 066 218
The amount was approved as valid expenditure by the Executive Committee at its meeting held on **(Exco Min No. 98/13/14)**	-5 066 218	
Payments made in the 2013/2014 financial year are also deemed to be irregular.	5 791 406	

	2014	2013
	R	R
Irregular expenditure (continue)		
46.2.3		
Two contracts were awarded to service providers where the directors were in the service of the state. This is in contravention with Section 44 of the Supply Chain Management Regulations.		
Therefore, the payments made to the service providers are deemed to be irregular.		1 377 831
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 06 November 2013.		
(Exco Min No. 98/13/14)	-1 377 831	
46.2.4		
In terms of Section 12 (5) (range of procurement processes) of the Supply Chain Management Policy, the procurement of goods and services in excess of R30 000 (VAT included) should be obtained by requesting three written quotations from accredited suppliers. During the 2012/2013 financial year, there were nine (9) instances where three quotations were not obtained to procure goods and services.		
Therefore, the payments made to the service providers are deemed to be irregular.		606 799
Adjustment to the disclosure in the 2012/2013 financial year.	-85 243	
46.2.5		
A vehicle was hired for the Deputy Mayor after his allocated official vehicle was involved in an accident. During the months of June 2013 to August 2013 the kilometres travelled with the hired vehicle, exceeded the contracted kilometres. The expenditure incurred due to the high kilometres is considered as irregular expenditure.	33 963	
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 06 November 2013.		
(Exco Min No. 101/13/14)	-33 963	
46.2.6		
A vehicle was hired for the Deputy Mayor after his allocated official vehicle was involved in an accident. During the months of September 2013 to October 2013 the kilometres travelled with the hired vehicle, exceeded the contracted kilometres. The expenditure incurred due to the high kilometres is considered as irregular expenditure.	57 172	
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 05 February 2014.		
(Exco Min No. 154/13/14)	-57 172	
46.2.7		
Orders for catering services were issued to service providers after the following events:		
Council meeting 11 December 2013		
Councillors training 21-22 January 2014		
Council meeting 23 January 2014		
To issue an order after an event, is in contravention of the Council's Supply Chain Management Policy.		
The expenditure incurred is considered as irregular.	10 580	
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 05 March 2014.		
(Exco Min No. 193/13/14)	-10 580	

	2014	2013
	R	R
Irregular expenditure (continue)		
46.2.8		
An order was issued to a service provider after grass cutting services were rendered.		
To issue an order after a service is rendered, is in contravention of the Council's Supply Chain Management Policy.		
The expenditure incurred is considered as irregular.	5 054	
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 05 March 2014.		
(Exco Min No. 194/13/14)	-5 054	
46.2.9		
An order was issued to a service provider after security services were rendered for a councillor.		
To issue an order after a service is rendered, is in contravention of the Council's Supply Chain Management Policy.		
The expenditure incurred in February 2014 is considered as irregular.	19 000	
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 02 April 2014.		
(Exco Min No. 212/13/14)	-19 000	
46.2.10		
An order was issued to a service provider after services were rendered for a staff function in December 2013.		
To issue an order after a service is rendered, is in contravention of the Council's Supply Chain Management Policy.		
The expenditure incurred is considered as irregular.	21 925	
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 04 June 2014.		
(Exco Min No. 242/13/14)	-21 925	
46.2.11		
An order was issued to a service provider after catering services were rendered for a ward committee workshop on 22 January 2014.		
To issue an order after a service is rendered, is in contravention of the Council's Supply Chain Management Policy.		
The expenditure incurred is considered as irregular.	13 750	
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 04 June 2014.		
(Exco Min No. 244/13/14)	-13 750	
46.2.12		
A service provider was requested to do refurbishment and paintwork at the Gingindlovu Municipal Offices in November 2013.		
No official order or deviation form was issued as required in terms of the Council's Supply Chain Management Policy.		
The expenditure incurred is considered as irregular.	94 475	
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 02 July 2014.		
(Exco Min No. 17/14/15)	-94 475	
46.2.13		
46.2.13.1		
An order was issued to a service provider after groceries were purchased for a donation on 02 February 2014.		
To issue an order after a service is rendered, is in contravention of the Council's Supply Chain Management Policy.		
The expenditure incurred is considered as irregular.	5 378	
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 02 July 2014.		
(Exco Min No. 19/14/15)	-5 378	

			2014	2013
			R	R
Irregular expenditure (continue)				
46.2.13.2				
Groceries were purchased to provide tea and refreshments after Exco and Council meetings on 29 July 2013.				
Three quotations were not obtained. This in contravention of the Council's Supply Management Policy.				
The expenditure incurred is considered as irregular.			3 130	
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 02 July 2014.				
(Exco Min No. 19/14/15)			-3 130	
46.2.13.3				
An order was issued to a service provider after transport services were rendered on 08 February 2014.				
To issue an order after a service is rendered, is in contravention of the Council's Supply Chain Management Policy.				
The expenditure incurred is considered as irregular.			2 000	
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 02 July 2014.				
(Exco Min No. 19/14/15)			-2 000	
46.2.14				
An order was issued to a service provider after security services were rendered for a councillor.				
To issue an order after a service is rendered, is in contravention of the Council's Supply Chain Management Policy.				
The expenditure incurred in June 2014 is considered as irregular.			7 283	
Balance at the end of the year			**7 619 122**	**8 000 367**
46.3 Fruitless and wasteful expenditure				
Balance at the beginning of the year			86 700	251 049
46.3.1				
A case of fraud has occurred in the Finance Department with funds transferred by the Accountant: Expenditure. The fraud took place over a period of 11 months, commencing in July 2011, however this is under investigation.				
Transfer to receivables for recovery - not condoned (Note 3) - Account number 9999594				-207 725
46.3.2				
During the 2012/2013 financial year, interest incurred as a result of two late payments for the Eskom bulk electricity accounts:	18 December 2012	23 295.63		
	11 April 2013	20 080.49		43 376
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 06 November 2013.				
(Exco Min No. 99/13/14)			-43 376	
46.3.3				
During the 2013/2014 financial year, interest incurred as a result of two late payments.				
Development Bank of South Africa	06 March 2014	811.38		
Auditor - General	12 May 2014	31.19	843	
46.3.4				
Messrs. Masibambisane was appointed in the 2011/2012 financial year for the refuse collection contract in Mtunzini. Their contract was terminated due to poor performance. It was alleged that the municipality terminated the contract unlawfully having regard to the provisions of the contract. The contractor brought an application against the municipality, demanding payment of R642 515,05. The matter was argued before Court, and judgement was handed down in favour of the contractor. The municipality negotiated settlement or re-instatement. This was not successful. Eventually, the contractor demanded full payment of the claim plus costs, which was paid in June 2014. The expenditure incurred is deemed to be fruitless and wasteful.			1 093 353	
The amount was approved as valid expenditure by the Executive Committee at its meeting held on 02 July 2014.				
(Exco Min No. 18/14/15)			-1 093 353	
Balance at the end of the year			**44 166**	**86 700**

	2014	2013
	R	R

46.4 Fraudulent transactions

1. Theft of cash-Rates Hall

Theft of cash - Rates Hall		102 191.36
Legal fees		169 100.92
		271 292.28
Received from Council's Insurance Brokers -	24/10/2008	-88 491.82
Legal fees	20/05/2009	3 676.09
Transfer to receivables for recovery - not condoned (Note 3)		**186 476.55**

2. Theft of cash-Butcher Street

Theft of cash - Butcher street		7 651.58
Transfer to receivables for recovery - not condoned (Note 3)		**7 651.58**

Status report on incidents

1. Theft of cash-Rates Hall .	**Account number**	**9999763**	
Court case pending	Balance 30/06/2013		186 476.49
			-
	Balance 30/06/2014		**186 476.49**

Court case 24 October 2011 - postponed to 16 April 2012.
Court case 16 April 2012 - postponed to 04 July 2012.
Court cases 04 July 2012, 12 July 2012, 13 July 2012 and 03 September 2012.
Court case 03 September 2012 - postponed to 26 - 30 November 2012.

2. Theft of cash-Butcher Street	**Account number**	**9999616**	
	Balance 30/06/2013		1 753.09
	Balance 30/06/2014		**1 753.09**

Made arrangements to settle account in instalments. Debtor did not honour the agreement. Handed over in 2010/2011

3. Fraudulent transactions on bank account	**Account number**	**9999594**	
	Balance 30/06/2012		207 724.88
	Ajustments on account		53 048.75
	Payment from Pension Fund		-207 724.88
	Amount received for payment of house		-80 750.00
	House deposit credited to account		-1 000.00
	Balance 30/06/2014		**-28 701.25**

Messrs S D Moloi and Associates were appointed to investigate the disappearance of funds.
A report in this regard was finalized and submitted to the Accounting Officer.
A case of fraud has been registered with the South African Police Services (CAS 362/05/2012).

		2014	2013
		R	R
47. RECONCILIATION OF BUDGET SURPLUS/ (DEFICIT) WITH THE SURPLUS/ (DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE			
Net surplus/ (deficit) per the statement of financial performance		1 783 560	1 363 582
Adjusted for: Fair value adjustments		-3 823 423	-914 600
(Surplus)/ deficit on the sale of assets		-253 550	-121 876
Increases/ (decreases) in allowances		27 539 146	12 423 946
(Increases)/ decreases in revenue derived from tariffs		-95 696 022	-89 381 232
(Increases)/ decreases in other revenue		-18 826 737	-8 703 451
(Increases)/ decreases in interest earned on external investments		-3 074 293	-2 491 098
(Increases)/ decreases in government grants and subsidies received		-98 519 556	-90 698 176
Increases/ (decreases) in employee related cost		73 258 130	66 933 139
Increases/ (decreases) in general expenses		41 565 974	44 952 264
Increases/ (decreases) in contracted services		21 767 083	19 453 600
Increases/ (decreases) in other expenditure		54 331 287	47 240 602
Net surplus/ (deficit) before transfers recognised (capital), per approved budget		**51 600**	**56 700**
48. GRANTS AND SUBSIDIES PAID			
Child and Family Welfare Organisation	6705	120 000	70 000
Society for the Prevention of Cruelty to Animals (S P C A)	6685	115 000	110 000
uMlalazi Tourism Association	6755	185 000	180 000
Zululand Historical Museum	6380	110 250	101 070
Free refuse	9911	1 338 332	1 236 387
Free electricity	9918	1 090 405	1 114 470
		2 958 987	**2 811 927**
49. ELECTRICITY LOSSES			
Purchase of electricity (kilowatt hours)		54 271 615	55 324 489
Sale of electricity (kilowatt hours)		49 064 735	48 339 543
Kilowatt hour losses		5 206 880	6 984 946
Percentage losses		9.59	12.63
Rand value of electricity losses (6 984 946 kWh x 1.01)			7 054 795.46
Rand value of electricity losses (5 206 880 kWh x 1.17)		6 092 049.60	

Electricity losses are caused by the following:
1) Street lights consumptions that are not metered
2) Tampering with electricity installations
3) Other technical losses

	2014	2013
	R	R

50. CONTINGENT LIABILITY

Contractual dispute

Dolphin Coast Waste Management (Pty) Ltd v uMlalazi Municipality and another: This is a possible claim with regards to waste management services at Mtunzini, to the amount of R400 000.

Second respondent (Pure Magic Trading 22 CC) v uMlalazi Municipality. This is a possible claim with regards to waste management services at Mtunzini, to the amount of R400 000.

51. DISCONTINUED OPERATIONS

The municipal clinics have been taken over by the Department of Health with effect from 01 August 2012. This means that the municipality has discontinued the operations of the municipal clinics with effect from that date. The assets and liabilities of the municipal clinics are set out below.

Surplus/(Deficit) of discontinued operation		
		201 458
Revenue		613 417
Expenditure		
	-	**-411 960**
Assets of discontinued operation - Municipal Clinics		
Property, plant and equipment		**503 914**

52. DEVIATION FROM SUPPLY CHAIN MANAGEMENT

The following deviations and ratifications of minor breaches of procurement processes are reported to Council in terms of Section 36(2) of the Supply Chain Management Policy:

Closed quotations/ tenders: (July 2013 to June 2014)

Month	R0 - R20 000	R20 001 - R50 000	R50 001 - R100 000	R100 001 - R200 000	ABOVE R200 001	Total
July	53 639.57	71 662.86	275 670.00	581 955.00		**982 927.43**
August	51 708.72	155 887.31				**207 596.03**
September	8 878.32	37 400.00				**46 278.32**
October	72 832.47	73 993.00	358 770.00	470 976.00		**976 571.47**
November	18 517.47	24 326.49	243 066.00			**285 909.96**
December	32 372.49	76 511.67	84 700.00			**193 584.16**
January	47 635.10			366 000.00	1 608 972.00	**2 022 607.10**
February	37 250.92		82 536.00	102 500.00		**222 286.92**
March	7 927.14	52 107.48	76 000.00			**136 034.62**
April	24 066.46			277 812.00		**301 878.46**
May	43 032.40	98 385.46			271 890.00	**413 307.86**
June	61 000.00	33 500.00		184 100.00		**278 600.00**
Total	**458 861.06**	**623 774.27**	**1 120 742.00**	**1 983 343.00**	**1 880 862.00**	**6 067 582.33**

The above-mentioned deviations from the Supply Chain Management processes has been condoned in terms of the approved policy.

(Refer to Appendix G for more detail)

	2014	2013

53. FINANCIAL RISK MANAGEMENT

Risk and exposure are disclosed as follows:

53.1 Credit risk exposure

Cash and cash equivalents (Refer to notes below)	71 508 272	60 488 499
Maximum credit exposure	**71 508 272**	**60 488 499**

Note 1: The risk relating to short term deposits is minimised due to the nature of the municipal finance structure.
Note 2: The risk relating to cash and cash equivalents is minimised as the municipality only deposits cash with major banks with high quality credit standing.

53.2 Liquidity risk

Consumer deposits	1 266 076	1 155 017
Payables from exchange transactions	19 592 143	21 457 713
VAT payable	738 738	879 519
Unspent conditional grants and receipts	21 983 815	16 200 069
Loans payable	342 816	342 816
Employee benefits	793 000	3 685 768
	44 716 589	**43 720 902**

Current assets	108 221 576	90 928 863
Current liabilities	44 716 589	43 720 902
Current assets as a percentage of current liabilities	242%	208%
Current assets to current liabilities ratio	2.4:1	2.1:1

The generally accepted norm for this ratio is 1.5:1. The higher the ratio, the more liquid the municipality, and the better chances of meeting short term debt with short term liquid resources.

53.3 Interest risk

Management has assed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

53.4 Market risk

Owing to legislative restrictions, the municipality has no exposure to market risk.

	2014	2013
	R	R

54. EXPLANATIONS OF VARIANCES ON STATEMENT OF BUDGET AND ACTUAL AMOUNTS

Statement of Financial Performance

54.1 Fines
The implementation of a new accounting standard is causing the increase in traffic fines. All fines issued is treated as accrued revenue.

54.2 Interest earned - external investments
Effective cash management of grants received caused the increased interest.

54.3 Other income
A large amount of prior year's unidentified deposits was transferred to sundry income.

54.4 Gain on sale of assets
The sale of assets was more than planned.

54.5 Allowance for doubtful debts
The large variance was caused due to the allowance for doubtful debts for housing debtors and traffic fines, that was not provided for in previous financial years.

54.6 Depreciation and impairment loss
A service provider was appointed to identify municipal assets. In the process impairment losses of over R4 million rand was calculated, which did not happen in previous financial years.

54.7 Contributions for post retirement medical benefits and long service awards
The actuarial valuations received for post-employment medical aid and long service awards revealed that more provisions had to be made to these two obligations.

54.8 General expenses
Integrated National Electrification Programme Grant was not fully spend.

54.9 Fair value adjustment
A service provider was appointed to identify municipal assets. In the process fair value adjustments of close to R3 million rand was calculated on PPE, which did not happen in previous financial years.

55. RESTATEMENT OF COMPARITIVE FIGURES

55.1 Statement of financial position

Non-current assets		
Balance at 30 June 2013		483 393 451
Property, plant and equipment (Note 7)		
Additional municipal assets identified		23 547 604
Intangible assets (Note 8)		
Additional intangible assets identified		231 028
		507 172 082

	2014 R	2013 R
RESTATEMENT OF COMPARITIVE FIGURES (CONTINUE)		
Current liabilities		
Balance at 30 June 2013		43 720 902
Payables from exchange transactions (Note 12)		
Move accrued staff leave from employee benefits to payables		2 844 125
Employee benefits (Note 15)		
Move accrued staff leave from employee benefits to payables		-2 844 125
Provisions (Note 16)		
Move landfill site provision form non-current liabilities to current liabilities		6 558 208
		50 279 110
Non-current liabilities		
Balance at 30 June 2013		24 534 499
Provisions (Note 16)		
Move landfill site provision form non-current liabilities to current liabilities		-6 558 208
		17 976 291
NET ASSETS		
Balance at 30 June 2013		506 066 912
Revaluation reserve (Note 19)		
Newly identified municipal assets		33 721 518
Correction of municipal assets depreciation		-9 942 886
		529 845 545

APPENDIX A

uMLALAZI MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2014

EXTERNAL LOANS	Loan	Interest rate	Maturity date	Balance at 30/06/2013 R	Received during the period R	Redeemed written off during the period R	Balance 30/06/2014 R	Carrying Value of Property Plant & Equipment R	Other Costs in Accordance with the MFMA R
Annuity Loans									
Development Bank of South Africa	Industrial Area	12.42%		5 485 050	-	342 816	5 142 234		
TOTAL EXTERNAL LOANS				**5 485 050**	**-**	**342 816**	**5 142 234**		

APPENDIX B

uMLALAZI MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2014

	Cost / Revaluation								Accumulated Depreciation					
	Opening Balance (Restated) 30/06/2013	Under Construction 2013/2014	Additions 2013/2014	Revaluation 2013/2014	Fair Value Adjustment 2013/2014	Impairment losses 2013/2014	Disposals 2013/2014	Closing Balance 30/06/2014	Opening Balance (Restated) 30/06/2013	Additions 2013/2014	Disposals 2013/2014	Closing Balance 30/06/2014	Carrying Value 30/06/2014	Carrying Value (Restated) 30/06/2013
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Properties	89 093 476							89 093 476				-	**89 093 476**	89 093 476
Community assets	163 031 592	5 719 760	2 202 674		100 372	-3 422 470		167 631 928	-36 699 574	-5 923 195		-42 622 769	**125 009 159**	**126 332 018**
Vehicles	16 240 113		3 674 532		801 829	-318 993		20 397 481	-6 718 102	-1 786 468		-8 504 569	**11 892 911**	**9 522 011**
Roads	384 904 869	10 606 268	4 499 008		-	-210 996	-	399 799 150	-181 647 425	-7 243 128	-	-188 890 554	**210 908 594**	**203 257 441**
Bridges: Vehicles	2 380 297							2 380 297	-940 236	-57 409		-997 645	1 382 652	1 440 061
Bridges: Pedestrian	4 239							4 239	-115	-141		-256	3 982	4 124
Roads: Asphalt surface	57 809 719		1 011 722			-210 996		58 610 446	-53 974 063	-273 249		-54 247 312	4 363 134	3 835 656
Roads: Asphalt basis/structure	117 261 263	8 331 235	2 554 988					128 147 486	-70 845 823	-2 398 498		-73 244 320	54 903 166	46 415 441
Roads: Earthworks	87 456 788		405 968					87 862 756	-34 659 958	-2 920 430		-37 580 388	50 282 369	52 796 830
Roads: Kerb and channels	33 542 833		141 810					33 684 643	-17 927 194	-1 016 628		-18 943 821	14 740 821	15 615 640
Roads: Pedestrian footpaths	3 021 249		225 964					3 247 213	-836 122	-104 131		-940 252	2 306 960	2 185 128
Roads: Street lighting	2 232 370		77 005					2 309 375	-910 687	-82 397		-993 085	1 316 290	1 321 683
Causeways	10 340 704	2 275 033						12 615 737	-1 072 480	-344 454		-1 416 934	11 198 803	9 268 224
Roads: Traffic lights	360 333		33 895					394 228	-89 070	-12 368		-101 437	292 791	271 263
Road calming measures	733 430		47 657					781 088	-336 192	-24 788		-360 979	420 108	397 239
Land - Road reserve	69 502 363							69 502 363	-			-	69 502 363	69 502 363
Speed humps	259 278							259 278	-55 487	-8 637		-64 124	195 155	203 791
Storm water	85 036 274		477 430					85 513 704	-60 298 292	-2 216 281		-62 514 574	**22 999 129**	**24 737 981**
Kerb inlets	8 387 540		477 430					8 864 970	-4 869 831	-257 913		-5 127 744	3 737 226	3 517 709
Masonary structures	3 005 404							3 005 404	-1 370 015	-150 161		-1 520 176	1 485 228	1 635 389
Pipes	29 077 638								-17 574 710	-968 592		-18 543 302	-18 543 302	11 502 928
RC Structures	9 469 870							9 469 870	-4 599 002	-473 148		-5 072 150	4 397 721	4 870 868
Channels	35 095 820							35 095 820	-31 884 734	-366 468		-32 251 202	2 844 618	3 211 085
Electrical	64 315 775	-	1 202 817		7 814		-	65 526 406	-27 792 520	-2 800 170	-	-30 592 689	**34 933 718**	**36 523 257**
Transformers	38 821 112		174 722					38 995 834	-17 765 887	-1 940 082		-19 705 969	19 289 865	21 055 225
Cables	15 329 063		280 581					15 609 643	-5 685 979	-514 801		-6 200 780	9 408 863	9 643 083
Substation switchgear			284 387					284 387		-4 110		-4 110	280 277	
Perimeter protection					7 814			7 814					7 814	
High mast lights								-				-	-	-
Ring main unit			276 365					276 365		-2 437		-2 437	273 928	-
Mini sub stations	10 165 602		186 763					10 352 364	-4 340 653	-338 740		-4 679 393	5 672 972	5 824 949
Toolbox	11 323 800		945 005		2 074 108	-72 812		14 270 101	-5 652 147	-1 427 301		-7 079 448	**7 190 652**	**5 671 653**
Property, plant and equipment(Note 7)	813 945 899	16 326 028	13 001 466	-	2 984 123	-4 025 270	-	842 232 246	-318 808 060	-21 396 543		-340 204 603	**502 027 640**	**495 137 837**
Investment properties (Note 9)	10 315 502				839 300			11 154 802				-	**11 154 802**	**10 315 502**
Intangible assets (Note 8)	1 067 138		75 280					1 142 418	-772 740	-98 514		-871 254	**271 164**	**294 398**
	825 328 539	16 326 028	13 076 746	-	3 823 423	-4 025 270	-	854 529 466	-319 580 799	-21 495 057	-	-341 075 856	513 453 606	505 747 736

APPENDIX C

uMLALAZI MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2014

		2014 Actual Income	2014 Actual Expenditure	2014 (Surplus)/ Deficit	2013 Actual Income	2013 Actual Expenditure	2013 (Surplus)/ Deficit
		R	R	R	R	R	R
Executive and Council	13	-140 465 947	61 327 983	-79 137 964	-123 017 884	47 242 264	-75 775 620
Budget and Treasury Office	14	-2 271 854	11 459 536	9 187 682	-2 253 157	9 913 270	7 660 114
Corporate Services	15	-504 190	7 408 082	6 903 892	-1 959 061	7 895 863	5 936 802
Planning and Development	16	-2 181 306	3 393 737	1 212 431	-1 826 486	3 418 396	1 591 910
Health	17	-2 405 519	4 627 596	2 222 077	-2 284 177	4 434 100	2 149 924
Community and Social Services	18	-2 876 411	2 794 692	-81 719	-1 792 415	2 914 656	1 122 241
Housing	19	-801 950	429 419	-372 531	-1 375 510	1 245 938	-129 572
Public safety	20	-16 714 995	32 157 848	15 442 853	-4 088 985	18 697 404	14 608 419
Sport and Recreation	21	-2 617 499	9 645 406	7 027 907	-3 029 639	9 163 028	6 133 389
Waste management	22	-13 108 908	14 525 812	1 416 904	-10 603 281	15 052 118	4 448 837
Road transport	23	-11 210 055	15 738 904	4 528 849	-11 932 164	14 977 493	3 045 330
Electricity	24	-60 863 373	57 755 546	-3 107 827	-63 297 249	55 608 538	-7 688 711
Air transport	25	-	5 101	5 101	-	11 523	11 523
Workshop	26	-	442 661	442 661	-	428 962	428 962
Total		**-256 022 004**	**221 712 320**	**-34 309 684**	**-227 460 006**	**191 003 551**	**-36 456 455**

APPENDIX D (1)

uMLALAZI MUNICIPALITY

ACTUAL COMPARED WITH BUDGETED REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE 2014

		Actual 2014	Budget 2014	Variance 2014	Variance 2014	Explanation of significant variance greater than 10% versus budget
		R	R	R	%	
REVENUE						
Revenue from Non-exchange Transactions		**-147 623 725**	**-144 074 790**	**3 548 935**	**2.46**	
Taxation revenue		-33 831 258	-33 461 970	369 288		
Property rates	1	-33 227 107	-32 911 630	315 477	**0.96**	
Property rates- penalties imposed	2	-604 151	-550 340	53 811	**9.78**	
Transfer revenue		-98 519 556	-107 654 080	-9 134 524		
Government grants and subsidies - operational	9	-98 519 556	-107 654 080	-9 134 524	**-8.49**	
Other		-15 272 911	-2 958 740	12 314 171		
Fines	7	-15 272 911	-2 958 740	12 314 171	**416.20**	The implementation of a new accounting standard is causing the increase in traffic fines. All fines issued is treated as accrued revenue.
Revenue from Exchange Transactions		**-72 048 733**	**-70 609 910**	**1 438 823**	**2.04**	
Service charges	3	-61 145 810	-60 991 410	154 400	**0.25**	
Rental of facilities and equipment	4	-1 323 105	-1 301 130	21 975	**1.69**	
Interest earned- external investments	5	-3 074 293	-2 500 000	574 293	**22.97**	Increased interest due to efficient cash management during the year.
Licences and permits	8	-3 309 366	-3 451 320	-141 954	**-4.11**	
Other income	10	-2 942 609	-2 166 050	776 559	**35.85**	Previous years unidentified deposits transferred to sundry income.
(Gain)/ loss on sale of assets	12	-253 550	-200 000	53 550	**26.78**	Five vacant properties sold to the public.
Total revenue		**-219 672 458**	**-214 684 700**	**4 987 758**	**2.32**	
EXPENDITURE						
Executive and Council	13	61 327 983	54 093 063	7 234 920	**13.37**	1) Fruitless and wasteful expenditure of R1.2 million was recorded. 2) Additional depreciation of R1.9 million rand was calculated on the Council's assets. With the implementation of the new asset register, impairment losses of over R4 million were calculated.
Budget and Treasury Office	14	11 459 536	11 566 870	-107 334	**-0.93**	
Corporate Services	15	7 408 082	7 614 410	-206 328	**-2.71**	
Planning and Development	16	3 393 737	4 139 960	-746 223	**-18.02**	Under spending on Project Management Unit administration budget..
Health	17	4 627 596	4 740 990	-113 394	**-2.39**	
Community and Social Services	18	2 794 692	3 139 480	-344 788	**-10.98**	Under spending of Community Library Services Grant.
Housing	19	429 419	812 910	-383 491	**-47.18**	Less spend on Sunnydale Extension housing funds received.
Public safety	20	32 157 848	21 763 730	10 394 118	**47.76**	The allowance for doubtful debts for traffic fines is causing the over expenditure. New accounting standard.
Sport and Recreation	21	9 645 406	10 458 817	-813 411	**-7.78**	
Waste management	22	14 525 812	14 937 210	-411 398	**-2.75**	
Road transport	23	15 738 904	16 195 730	-456 826	**-2.82**	
Electricity	24	57 755 546	65 475 830	-7 720 284	**-11.79**	Integrated Electrification Grant not fully spend.
Air transport	25	5 101	11 710	-6 609	**-56.44**	No spending on the maintenance of grounds budget for the airfield..
Workshop	26	442 661	482 390	-39 729	**-8.24**	
Total expenditure		**221 712 320**	**215 433 100**	**6 279 220**	**2.91**	
(Profit)/ loss on fair value adjustment	38	-3 823 423	-800 000	3 023 423	**377.93**	A service provider was appointed to identify municipal assets. In the process fair value adjustments of close to R3 million was calculated on PPE.
(SURPLUS)/ DEFICIT FOR THE YEAR		**-1 783 560**	**-51 600**	**14 290 400**		
Transfers recognised - capital	11	-32 526 124	-31 972 550	553 574	**1.73**	
(SURPLUS)/ DEFICIT FOR THE YEAR AFTER CAPITAL TRANSFERS		**-34 309 684**	**-32 024 150**	**14 843 974**		

APPENDIX D (2)

uMLALAZI MUNICIPALITY

ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2014

	2014 Actual	2014 Under Construction	2014 Total Additions	2014 Budget	2014 Variance	2014 Variance	Explanation of significant variances greater than 10% versus budget
	R	R	R	R	R	%	
Executive and Council	1 071 009		1 071 009	1 149 980	78 971	6.87%	
Budget and Treasury Office	234 301		234 301	236 760	2 459	1.04%	
Corporate Services	1 086 373	3 990 277	5 076 650	9 045 400	3 968 750	43.88%	Purchase of Propnet properties to be finalized in the 2014/2015 financial year, and creches not completed.
Planning and Development	449 474		449 474	454 460	4 986	1.10%	
Health	13 763		13 763	15 000	1 237	8.25%	
Community and Social Services	208 014		208 014	310 100	102 086	32.92%	The cost of the palisade fencing at the cemetries was less than anticipated.
Housing			-		-		
Public safety	787 847		787 847	799 590	11 743	1.47%	
Sport and Recreation	1 259 604	1 116 513	2 376 117	2 827 020	450 903	15.95%	Underspending on sports fields funded from the Municipal Infrastructure Grant.
Waste management	490 975		490 975	615 000	124 025	20.17%	The cost of the vehicle was less than anticipated and the budget for refuse bins not fully spend.
Road transport	5 512 871	11 219 238	16 732 109	28 383 430	11 651 321	41.05%	Underspending on road construction funded from the Municipal Infrastructure Grant.
Electricity	1 719 215		1 719 215	1 878 000	158 785	8.46%	
Air transport			-		-		
Workshop	243 300		243 300	243 400	100	0.04%	
	13 076 746	16 326 028	29 402 774	45 958 140	16 555 366	36.02%	

APPENDIX E

uMLALAZI MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA (ACT NO. 56 OF 2003)

FOR THE YEAR ENDED 30 JUNE 2014

Grants and Subsidies Received

Name of organ of state and description of grants	Number of grant	Quarterly receipts				Quarterly expenditure				Grants and Subsidies delayed/withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		July to Sept 2013	Oct to Dec 2013	Jan to Mar 2014	April to June 2014	July to Sept 2013	Oct to Dec 2013	Jan to Mar 2014	April to June 2014				
		2	3	4	5	2	3	4	5				
NATIONAL TREASURY													
Municipal Systems Improvement Grant	15	890 000				87 973	415 983	228 370	157 674	NO	N/A	YES	N/A
Municipal Infrastructure Grant	35	9 791 000	10 231 000	12 545 000		2 133 125	4 679 796	4 910 954	16 437 240	NO	N/A	YES	N/A
Financial Management Grant	44	1 550 000				587 677	485 993	208 353	267 977	NO	N/A	YES	N/A
Expanded Public Works Programme Integrated Grant	55	400 000	300 000	300 000		272 391	274 357	272 080	200 543	NO	N/A	YES	N/A
Integrated National Electrification Programme Grant	56	8 000 000				2 215 421	2 775 168	1 576 061	813 469	NO	N/A	YES	N/A
Public Participation Grant	42		200 000			2 487			197 513				
DEPARTMENT OF HUMAM SETTLTEMENTS													
Sunnydale Low Cost	51							58 192		NO	N/A	YES	N/A
Rural Housing				240 000				160 000	80 000				
		20 631 000	**10 731 000**	**13 085 000**	**-**	**5 299 074**	**8 631 297**	**7 414 010**	**18 154 416**				
DEPARTMENT OF ARTS AND CULTURAL													
King Dinuzulu Library: Cyber cadet	50	118 000		141 000		49 602	49 692	54 192	71 736	NO	N/A	YES	N/A
		118 000	**-**	**141 000**	**-**	**49 602**	**49 692**	**54 192**	**71 736**				
TOTAL OF ALL GRANTS		**20 749 000**	**10 731 000**	**13 226 000**	**-**	**5 348 676**	**8 680 989**	**7 468 202**	**18 226 152**				

APPENDIX F

uMLALAZI MUNICIPALITY

DEVIATION FROM SUPPLY CHAIN MANAGEMENT

FOR THE YEAR ENDED 30 JUNE 2014

Date	Supplier	Item description	Reason for deviation	Value (Rand)
July	Motion Perfection	Repair lights and siren (NES 8285 & NES 8288)	Section 36 (1)(a)(ii) - Single Supplier	21 022.62
	Makheda Security	Provision of VIP security (July 2013)	Section 36 (1)(a)(i) - An emergency	21 090.00
	RIS Vehicle Hire	Hire of vehicle for Deputy Mayor (July 2013)	Section 36 (1)(a)(v) - Exceptional Case	19 500.00
	Imperial Nissan	Carry out 75 000km service (NES 1527)	Section 36 (1)(a)(ii) - Single Supplier	4 201.77
	Magnis Truck Zululand	Carry out 50 000km service (NES 2756)	Section 36 (1)(a)(ii) - Single Supplier	29 550.24
	Ntumeni Field Services	Attend to defective clutch (NES 4803)	Section 36 (1)(a)(v) - Exceptional Case	11 845.43
	Provincial Motors	Carry out 30 000km service (NES 8190)	Section 36 (1)(a)(ii) - Single Supplier	4 412.37
	Global Transformers	Infra red scanning	Section 36 (1)(a)(ii) - Single Supplier	13 680.00

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Redspike Security	Provision of VIP security (July 2013 - September 2013)	Section 36 (1)(a)(v) - Exceptional Case	66 000.00
	Aros Protection	Provision of VIP security (July 2013 - September 2013)	Section 36 (1)(a)(v) - Exceptional Case	55 500.00
	Sojudas Protection	Provision of VIP security (July 2013 - September 2013)	Section 36 (1)(a)(v) - Exceptional Case	56 700.00
	Box Clever	Hire of containers (July 2013 - December 2013)	Section 36 (1)(a)(v) - Exceptional Case	97 470.00
	Redspike Security	Provision of VIP security (July 2013 - September 2013)	Section 36 (1)(a)(v) - Exceptional Case	111 000.00
	Makheda Security	Provision of VIP security (July 2013 - September 2013)	Section 36 (1)(a)(v) - Exceptional Case	126 540.00
	Aros Protection	Provision of VIP security (July 2013 - September 2013)	Section 36 (1)(a)(v) - Exceptional Case	111 000.00
	Mdlovu Protection	Provision of VIP security (July 2013 - September 2013)	Section 36 (1)(a)(v) - Exceptional Case	110 979.00
	Redspike Security	Provision of VIP security (July 2013 - September 2013)	Section 36 (1)(a)(v) - Exceptional Case	122 436.00
August	Gobishinga Construction	Waste collection in King Dinizulu (August 2013)	Section 36 (1)(a)(v) - Exceptional Case	23 119.20
	Mhtiya Labour	Waste collection in Gingindlovu (August 2013)	Section 36 (1)(a)(v) - Exceptional Case	28 968.11

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Inkonjane Construction	Waste collection in Mtunzini (August 2013)	Section 36 (1)(a)(v) - Exceptional Case	26 800.00
	Provincial Motors	Carry out 60 000km service (NES 8095)	Section 36 (1)(a)(ii) - Single Supplier	9 174.98
	East Toyota	Replace rear brakes, shock absorbers (NES 8288)	Section 36 (1)(a)(ii) - Single Supplier	14 881.10
	Netwize	IT configuration and supply of equipment	Section 36 (1)(a)(v) - Exceptional Case	6 110.40
	Trek Scale	Supply & deliver weighbridge tickets	Section 36 (1)(a)(v) - Exceptional Case	9 849.60
	East Toyota	Replace front brakes, overhaul calipers (NES 8288)	Section 36 (1)(a)(ii) - Single Supplier	7 536.05
	BBS Eshowe	Supply and delivery of materials	Section 36 (1)(a)(i) - An emergency	4 156.59
	Ingonyama Security	Provision of VIP security (August 2013 - Sept 2013)	Section 36 (1)(a)(v) - Exceptional Case	38 000.00
	RIS Vehicle Hire	Hire of vehicle for Deputy Mayor (Aug 2013 & Sept 2013)	Section 36 (1)(a)(v) - Exceptional Case	39 000.00
September	Nefcon Roadtech	Service and calibrate testing equipment	Section 36 (1)(a)(ii) - Single Supplier	4 113.12
	East Toyota	Labour for clutch, overhaul of brakes (NES 8288)	Section 36 (1)(a)(ii) - Single Supplier	4 765.20

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Eshowe Junior School Hostel	Accomodation for athletes - SALGA games	Section 36 (1)(a)(v) - Exceptional Case	37 400.00
October	RIS Vehicle Hire	Hire of vehicle for Deputy Mayor	Section 36 (1)(a)(v) - Exceptional Case	19 500.00
	East Toyota	Carry out 160 000km service (NES 8285)	Section 36 (1)(a)(ii) - Single Supplier	5 729.71
	Spunky Lady	Catering for meeting	Section 36 (1)(a)(v) - Exceptional Case	3 500.00
	Outdoor Network	Supply & deliver plastic refuse bins	Section 36 (1)(a)(ii) - Single Supplier	14 592.00
	Makheda Security	Provision of VIP security	Section 36 (1)(a)(v) - Exceptional Case	5 624.00
	Jetchem	Cleaning of storm water line at Mtunzini School	Section 36 (1)(a)(v) - Exceptional Case	19 500.00
	KZN Mechenised	Carry out 250 hours service (NES 297)	Section 36 (1)(a)(ii) - Single Supplier	4 386.76
	Redspike Security	Provision of VIP security (Oct 2013 - Dec 2013)	Section 36 (1)(a)(v) - Exceptional Case	111 000.00
	Redspike Security	Provision of VIP security (July 2013 - Sept 2013)	Section 36 (1)(a)(v) - Exceptional Case	66 000.00
	Makheda Security	Provision of VIP security (Oct 2013 - Dec 2013)	Section 36 (1)(a)(v) - Exceptional Case	63 270.00

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Mdlovu Protection	Provision of VIP security (Oct 2013 - Dec 2013)	Section 36 (1)(a)(v) - Exceptional Case	36 993.00
	Aros Protection	Provision of VIP security (Oct 2013 - Dec 2013)	Section 36 (1)(a)(v) - Exceptional Case	55 500.00
	Redspike Security	Provision of VIP security (Oct 2013 - Dec 2013)	Section 36 (1)(a)(v) - Exceptional Case	122 436.00
	Ingonyama Security	Provision of VIP security (Oct 2013 - Dec 2013)	Section 36 (1)(a)(v) - Exceptional Case	57 000.00
	Aros Protection	Provision of VIP security (Oct 2013 - Dec 2013)	Section 36 (1)(a)(v) - Exceptional Case	61 500.00
	Aros Protection	Provision of VIP security (Oct 2013 - Dec 2013)	Section 36 (1)(a)(v) - Exceptional Case	111 000.00
	Vandamme Security	Provision of VIP security (Aug 2013 - Sept 2013)	Section 36 (1)(a)(v) - Exceptional Case	55 500.00
	Vandamme Security	Provision of VIP security (Oct 2013 - Dec 2013)	Section 36 (1)(a)(v) - Exceptional Case	37 000.00
	Makheda Security	Provision of VIP security (Oct 2013 - Dec 2013)	Section 36 (1)(a)(v) - Exceptional Case	126 540.00
November	Melmoth Cartage	Emergency work to Gingindlovu office leaking roof	Section 36 (1)(a)(i) - An emergency	24 326.49
	Provincial Motors	Service of vehicle under warranty	Section 36 (1)(a)(ii) - Single Supplier	3 489.19

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Betong Eshowe	Manufacture concrete road street names	Section 36 (1)(a)(ii) - Single Supplier	4 880.00
	Aros Protection	Provision of VIP security	Section 36 (1)(a)(i) - An emergency	84 700.00
	Redspike Security	Provision of VIP security	Section 36 (1)(a)(i) - An emergency	74 000.00
	Matriarch Construction	De-sludge sewer at Gingindlovu library	Section 36 (1)(a)(i) - An emergency	10 148.28
	Makheda Security	Provision of VIP security	Section 36 (1)(a)(i) - An emergency	84 366.00
December	Imperial Nissan	Replace front disc pads & rear brakes	Section 36 (1)(a)(v) - Exceptional Case	3 481.23
	Zulu Khayalami	Transporting of people - Madiba memorial service	Section 36 (1)(a)(i) - An emergency	48 000.00
	Provincial Motors	Service of vehicle under warranty	Section 36 (1)(a)(v) - Exceptional Case	3 087.04
	Radio Communication Services	Replacement of repeater antenna	Section 36 (1)(a)(ii) - Single Supplier	8 153.62
	Matriarch Construction	De-sludge sewer at Gingindlovu library	Section 36 (1)(a)(i) - An emergency	11 146.90
	Matriarch Construction	De-sludge sewer at Municipal Workshop	Section 36 (1)(a)(v) - Exceptional Case	6 503.70

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Aros Protection	Provision of VIP security	Section 36 (1)(a)(i) - An emergency	28 511.67
	Aros Protection	Provision of VIP security	Section 36 (1)(a)(i) - An emergency	84 700.00
January	Matriarch Construction	De-sludge sewer at Gingindlovu library	Section 36 (1)(a)(i) - An emergency	11 146.90
	Truvelo Manufacturers	Calibration and service of laser equipment	Section 36 (1)(a)(v) - Exceptional Case	6 278.90
	Sage VIP	Consultation for payroll programme	Section 36 (1)(a)(v) - Exceptional Case	5 200.68
	Vandamme Security	Provision of VIP security (January 2014)	Section 36 (1)(a)(i) - An emergency	18 500.00
	East Toyota	Supply and fit transmitter (NES 11920)	Section 36 (1)(a)(ii) - Single Supplier	6 508.62
	Redspike Security	Provision of VIP security (Jan 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	244 872.00
	Redspike Security	Provision of VIP security (Jan 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	222 000.00
	Redspike Security	Provision of VIP security (Jan 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	132 000.00
	Redspike Security	Provision of VIP security (Jan 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	222 000.00

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Aros Protection	Provision of VIP security (Jan 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	111 000.00
	Aros Protection	Provision of VIP security (Jan 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	222 000.00
	Aros Protection	Provision of VIP security (Jan 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	123 000.00
	Aros Protection	Provision of VIP security (Jan 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	254 100.00
	Makheda Security	Provision of VIP security (Jan 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	222 000.00
	Makheda Security	Provision of VIP security (Jan 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	222 000.00
February	Imperial Nissan	Carry out 105 000km service (NES 6447)	Section 36 (1)(a)(v) - Exceptional Case	3 365.66
	Metrofile	Supply and deliver 200 boxes with lids	Section 36 (1)(a)(ii) - Single Supplier	5 527.05
	Ntumeni Field Services	Attend to defective road painting machine	Section 36 (1)(a)(v) - Exceptional Case	6 658.18
	Sage VIP	Two delegates attend annual payroll tax services	Section 36 (1)(a)(ii) - Single Supplier	3 876.00
	Sigmait	Repair fiber cable at Alpha Control building	Section 36 (1)(a)(v) - Exceptional Case	14 220.00

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Provincial Motors	Carry out 30 000km service (NES 3474)	Section 36 (1)(a)(v) - Exceptional Case	3 604.03
	Aros Protection	Provision of VIP security (Febr 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	102 500.00
	Fujitsu	Asset data module	Section 36 (1)(a)(ii) - Single Supplier	82 536.00
March	Conlog	Data integrated; transaction export	Section 36 (1)(a)(ii) - Single Supplier	4 550.88
	Sizanani Electrical	Strip, check and repair transformer	Section 36 (1)(a)(v) - Exceptional Case	26 457.48
	Shakaland	Team building for Finance Department	Section 36 (1)(a)(v) - Exceptional Case	25 650.00
	Thusa Support	Supply power cables for telephones	Section 36 (1)(a)(ii) - Single Supplier	3 376.26
	KTPM Protection Unit	Provision of VIP security (March 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	76 000.00
April	Muffler and Towbar	Supply & fit trailer tyre, tube and flap	Section 36 (1)(a)(ii) - Single Supplier	4 769.84
	East Toyota	Attend to front and rear brakes (NES 11682)	Section 36 (1)(a)(v) - Exceptional Case	4 957.21
	Betong Eshowe	Strip motor for gate at Alpha Control building	Section 36 (1)(a)(v) - Exceptional Case	6 540.00

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	East Toyota	Carry out 200 000km service (NES 8288)	Section 36 (1)(a)(ii) - Single Supplier	4 049.41
	Eshowe Sports Club	Hire of facility for Mayoral cup soccer tournament	Section 36 (1)(a)(v) - Exceptional Case	3 750.00
	Aros Protection	Provision of VIP security (April 2014 to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	123 000.00
	Palisade Concrete	Construction of fencing at King Dinizulu playpark	Section 36 (1)(a)(i) - An emergency	154 812.00
May	Striving Mind Trading 1292	Programme director - Mayoral Cup	Section 36 (1)(a)(v) - Exceptional Case	15 000.00
	Sakhisizwe Trading	Zulu dance - Mayoral Cup	Section 36 (1)(a)(v) - Exceptional Case	8 000.00
	Provincial Motors	Carry out 80 000km service (NES 12345)	Section 36 (1)(a)(v) - Exceptional Case	10 142.14
	East Toyota	Replace front brake disc and disc pads (NES 8288)	Section 36 (1)(a)(v) - Exceptional Case	6 328.14
	ABB South Africa	Strip, check and repair circuit braker	Section 36 (1)(a)(v) - Exceptional Case	27 798.90
	Global Transformer	Strip, check and assess repairs on feeder panel	Section 36 (1)(a)(v) - Exceptional Case	24 840.00
	Imperial Nissan	Carry out 45 000km service (NES 5836)	Section 36 (1)(a)(ii) - Single Supplier	3 562.12

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Iqola Security	Provision of security at outdoor gym (April to June 2014)	Section 36 (1)(a)(v) - Exceptional Case	45 746.56
	Sigmait	Fibre connection to stores and Butcher Street offices	Section 36 (1)(a)(v) - Exceptional Case	271 890.00
June	Bargain Books	Supply and delivery of new books for libraries	Section 36 (1)(a)(v) - Exceptional Case	16 000.00
	Eshowe Sports Club	Hire of facility for Derrick Spencer soccer tournament	Section 36 (1)(a)(ii) - Single Supplier	4 000.00
	Staylz Management	Amendments to IDP pamphlets	Section 36 (1)(a)(v) - Exceptional Case	33 500.00
	Eshowe Sports Club	Hire of facility for Youth Day celebrations	Section 36 (1)(a)(v) - Exceptional Case	6 000.00
	Striving Mind Trading 1292	Programme director - Youth Day celebrations	Section 36 (1)(a)(v) - Exceptional Case	15 000.00
	Indonsa Production	Motivational speaker - Youth Day celebrations	Section 36 (1)(a)(v) - Exceptional Case	20 000.00
	Staylz Management	Additional amendments to IDP pamphlets	Section 36 (1)(a)(v) - Exceptional Case	184 100.00